



MONEY ON THE TABLE:

HOW AMERICAN **HIGHER EDUCATION** IS
MISSING OUT ON THE GLOBAL PIE

ANATOLY LEZHEN

MODIEM

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Forward

The goal of this book is twofold. Primarily, it is a call to action for both the establishment and the innovators of the higher-education industry to consider what is possible at a historical moment in higher education. Advances in education business models, technology, institutional partnerships, outcomes measurement, and learning models are creating a perfect storm for innovation within higher education. While many refer to a crisis, now is also a time of great opportunity to shed the baggage of times past and bring the industry into a new era of global, relevant and, most importantly, BETTER higher education.

The second goal of this book is to offer a solid foundation for the global university of the future. This is not a document written by a dreamer. The technologies, innovations, business models, and assets described herein already exist. While it is easy to decry everything that is wrong with the higher-education industry, this book looks to provide real-world solutions and practicable implementations while establishing real-industry context.

The thesis of this book can be summarized as follows: The largest, best funded, most respected higher-education system in the world is being held back by its history and mission. As a result, it has not been able to expand beyond the borders of the United States and has very limited capacity to satisfy the global and mobile demand for premium American education. By freeing itself from regional borders, the American university of the future can also free itself from a number of institutional inefficiencies. This book outlines the foundation for a truly global higher-education organization by discussing current industry issues and by offering concrete solutions.

This book is split into three parts. Part 1 outlines the glaring market inefficiency in global higher education and the opportunity to correct it. Part 2 presents a Problem/Solution format, with each chapter containing an analysis of the current industry environment and relevant solutions for a global university. Part 3 offers a summary of the findings and prescriptions.

PART 1:
INTRODUCTION

For the purpose of this book, I will refer to the global university concept as First Global University, or FGU.

Chapter 1

A Superior Good

A middle-class family often will spend a disproportionate amount of its income on a child's premium higher education. This is a global phenomenon and becomes even more prevalent when there is access to premium and expensive higher-education options. Families around the world save, work extra jobs, and borrow so their child can get a better quality education. This doesn't abate until the most expensive level of education is reached. I am sure if a higher-education institution could guarantee a 20-point increase in IQ and entrance to an exclusive club for a bargain price of \$150,000 per semester, there would be a healthy demand for it.

In fact, pardon the economics jargon, but American higher education is a **superior good**. To be classified as such, a good must be scarce and must have a higher price. Scarcity in terms of diamonds, or other natural resources, is a more straightforward concept than scarcity in terms of premium higher education. Natural-resource scarcity is defined by a physical limit on the available resource. Scarcity of premium higher education is much more dependent on the perception of what premium education is. Whether the scarcity is real or artificial is not important, as long as the general population recognizes the good as distinguishably better. A middle-income family spending its savings to send a child to Harvard University is a simple example of premium education as a superior good. There is only one Harvard, considered by the world to be the best, which should justify the price. A less obvious, but no less potent example of premium education as a superior good would be a Chinese citizen sending her child to Marshall University, a regional university in West Virginia not ranked in the top several

hundred United States colleges, and spending ten times more than at a Chinese university without any sort of proof that Marshall University offers better academics. The scarcity is of an implicit nature, in that there are few American education options in China. Thus, by default, Marshall University is scarce in China. It stands up to the superior good test in that at a global level, Marshall University is both scarce and expensive.

How far can we extend this economic characterization? Occasionally, the prestige value of some goods deemed superior is so high that a price decline would actually reduce demand. Such goods often are referred to as **Veblen goods**.¹ Examples of Veblen goods are luxury items—designer clothing, jewelry, and fine wines. What distinguishes these types of goods is an increase in the price often leads to an **increase** in demand.² A price increase effectively increases the perception of exclusivity and status. This is a common understanding in the luxury market. The luxury goods and services industry pays very close attention to the elasticity of demand curves for their products. I would pose the question: Does premium higher education occasionally behave as a Veblen good?

Let's take Sarah Lawrence College as an example. Named in 2011 as America's most expensive college, Sarah Lawrence College charges approximately \$65,000 per year.³ Overall, students who apply to Sarah Lawrence College have performed well in high school. The acceptance rate is around 62%, which would suggest this school is not very academically selective. It is ranked 132nd on the *Forbes*' list of top colleges. The college does not have a strong name globally nor within the US corporate world—which makes it questionable whether its graduates can obtain high-salary jobs. And yet, it is able to attract a student body, with 6% of it coming from abroad. Most likely, the students are graduating after having spent hundreds of thousands of dollars of their family's or borrowed money. Yet, when they enter the labor force, they have no significant advantage over graduates from universities that cost half the price. What could be the reason?

Sarah Lawrence College works hard to present a portrait of exclusivity. It showcases its grand buildings and grounds, while offering a private and personal educational experience—"a philosophy emphasizing the individual student." It offers something that looks beautiful, that few can afford, and that is custom tailored to the student. Though the administration may not want to

say it, Sarah Lawrence is marketing a luxury experience—and this is the experience that sells. It has been a successful business model, surviving recessions and dramatic economic downturns. In fact, it is not an exception, but a large portion of the marketplace. With hundreds of thousands of students in the United States annually spending more than \$40,000 per year on education, many are paying more for premium amenities than for a premium education. In fact, many of the more expensive schools would not be able to decrease their official tuition for fear of appearing inferior.

Chapter 2

The For-Profit/Not-For-Profit Paradox

The traditional not-for-profit American universities, both public and private, are responsible for creating the stellar academic reputation and the unique campus and student life experience that define American higher education today. Many of these schools have sprawling campuses, world-class research departments, expansive sports programs and wealthy endowments. Judging by these metrics, it would be easy to assume that these institutions are best positioned to invest in the most cutting-edge educational technology, advance the most exciting innovations, and globalize the delivery of an American education.

The younger, for-profit higher-education industry has shown the ability to innovate and promote online-education technology, scale student marketing operations at an impressive pace, and to grow enrollments dramatically in only a few years of operations. These companies are driven by aggressive growth and return-on-investment objectives and are structured for competition. They have centralized leadership structures and are able to invest in and adapt to new technologies, business models, and regional environments. These attributes should position the for-profit industry as a strong candidate to effectively bring the American education brand to students across the globe.

However, neither the for-profits nor the not-for-profits have succeeded in taking over the global, higher-education market. This is because each is lacking what the other has. The non-profits know how to offer and manage a premium product, but don't have the structure, or the incentives, for global expansion. The for-profits look for growth wherever possible, are profitable, and should be eager to expand globally, but they don't have the premium brands, nor the experience of building and managing them.

In order to create the First Global University, the most functional and valuable assets and operations need to be plucked from both groups while the outdated, inefficient, and low-quality baggage must be left behind. A lean and scalable global organization can be formed that offers not only the best of American education, but also great opportunities for growth, innovation, and improvement.

Global higher education is too often segregated between profit seekers, academics, and humanitarians. These groups approach industry problems with very different motives. As a result, the politics and operations of universities are often incredibly complex and contentious. The goal of First Global University is to transcend these divides by focusing on the mission: To provide the best education in the world. Optimizing student experience and outcomes, while preparing students for real-world jobs, will align all of the players involved.

For-profit or not, a globally-structured education institution will have no choice but to have a sustainable business model, with enough immunity from local and global market fluctuations to survive bubbles and downturns.

Chapter 3

The Last Non-Globalized Premium Brand

Apple, IBM, GE, Exxon, and Disney—these names are synonymous with American ingenuity, with the best the United States has to offer the world. They are leaders of their industries, chased by the competition, but still untouchable. They offer the goods and services that the world pays high premiums for—technology, intelligence, machinery, materials, media, and entertainment. Together, these companies represent nearly \$1.5 trillion in market capitalization. This is a short list that omits many other global behemoths, from food and services to biotech to natural materials. But what is truly missing from this list is one single **education** company.

Higher education is a sector where the United States is clearly the dominant player. It has every competitive advantage—the best reputation, the greatest resources, the largest market, the most experience, and the best technology and innovation. Education is a product that is consumed by every person on the planet, and yet, no single American educational institution has stepped up to the plate as a leader in offering, marketing, and delivering this premium product globally.

All of the organizations cited above have globalized to a huge extent. Sixty percent of Apple's revenue, 45% of Exxon's revenue, 54% of General Electric's revenue, 64% of IBM's revenue, and 23% of Disney's revenue comes from outside of the United States. The products and the brands are distinctly American, yet they are produced, marketed, distributed, and delivered globally. Even after all the negative publicity about Foxconn, nobody in the world questions whether Apple is an American product.

Of course, this global strength and reach did not happen overnight. Risks were taken and opportunities pursued, with successes and failures along the way. But due to the aggressive, expansion-seeking nature of the companies involved, the global market share saw tremendous growth. How is education different? Are the barriers to entry that much more significant? Or is the US higher-education industry simply asleep at the wheel?

The brand already exists—**American Higher Education**. It's already being used to attract the brightest and the wealthiest few of the world's population (close to a million students) to US colleges and universities. With a rapidly growing global student base, it is prime time for global germination. In recent years, American higher-education institutions have become more active and aggressive in marketing and branding their "American-ness" abroad—often with the help of various feeder, pathway, and student-marketing organizations. However, the global penetration rate of the best-regarded education in the world is still far from optimal.

If Harvard University opened a campus in Europe or China, would anybody question its authenticity? Would Harvard need to become less selective in its admission process? Absolutely not! The demand for this ultra-premium American product is such that it would be able to fill multiple campuses with absolutely the best candidates the world has to offer.

Although Harvard has the brand strength to become the IBM of education, it does not have the institutional structure to do so. Steeped in tradition, complex politics, and numerous competing priorities, Harvard still operates under a charter and mission which focus on "youth in this country."⁴ The same history and foundation that made Harvard a great institution is likely to be the magnet that keeps Harvard tied to its local roots.

In this book, I explore the many ways that a globally-structured and American-branded higher education institution can achieve advanced global market penetration.

Chapter 4

A Perfect Storm For A Solution: Introducing First Global University (FGU)

I often compare the current state of global higher education with the state of the mobile-technology industry before the iPhone was introduced. Steve Jobs is considered one of the greatest business minds of all time and a superlative innovator. However, many in the technology industry often point out that he never invented anything new.

The genius of Steve Jobs lay in his ability to combine existing technologies and to package them in a smart design. Similarly, the higher-education industry, though fragmented, has developed all the pieces required for a newer, smarter, more sustainable, and more globally scalable education institution.

- A robust network of global marketing organizations and pathway platforms catering to a globally mobile student population.
- Distance learning can easily be integrated into a hybrid, brick-and-mortar model.
- Campus living, student life, sports programming, and experiential learning successes offer a foundation for scale and global growth.
- Excellent experience in campus creation, management, hybridization, and expansion has been accrued across the industry.
- Revamped faculty models are showing greater profitability, lighter faculty infrastructure, and improved student outcomes.
- Wall Street and the Silicon Valley are actively funding innovation across the education industry, both in academics and technology.

- The corporate sector is increasingly partnering with the higher-education sector and creating new synergies for education and employment opportunities.
- Internships are increasingly valuable and accessible through new technology and strategic solutions.
- Assessment administration, integration, and technology are being used in novel ways to dramatically improve outcomes.
- New technologies are enabling more efficient models of teaching, learning, collaborating, and administration.
- Regulatory changes around the world have opened up opportunities for the private sector to participate in the international higher-education market, while regulatory changes in the United States are forcing the for-profit industry to look beyond the US government's coffers for opportunities.

The First Global University (FGU) that is ready to package all of this innovation in order to market and deliver it globally is primed to become the premier global education brand. This university will usher in a sea change in both the scale and quality of higher-education delivery. This would not be a revolution, but an optimization of packaging, design, and execution. Rules of the industry are being rewritten with every innovation, and the education market is ready for an evolution.

HOW WOULD FGU LOOK?

To activate a project such as the First Global University, the founders would build on the American higher-education market and globally expand its delivery. The aim is to combine the magic of the atmosphere one finds at successful US non-profit colleges, with the robust online education technology and advertising machine of the for-profit education sector.

By activating large campuses around the world with excellent student life, experiential learning programs, and branded athletics, FGU will offer what is

considered to be the classic American-university environment—thereby leveraging and building on the strength of the existing American education brand. At the same time, FGU will offer extensive online programming, which it will market locally, nationally, and globally. With a hybrid on-campus plus distance-learning approach that is marketed and delivered globally, FGU will leverage the American education brand, and expand its student base to hundreds of thousands of international students.

Anchoring the FGU brand will be beautiful, American-style university campuses spread around the world. American-style campuses offer sprawling, green grounds as safe environments for learning and recreation. They create safe havens for education, creativity, and community. American-style campuses encourage students to focus on personal growth while learning from the surrounding microcosms of institution and community.

Although large, scalable, and premium university campuses are not easy to come by, it is possible to obtain *de novo* campuses with minimal upfront investment through innovative partnerships with real estate developers. As the real estate development is de-risked and handled outside of the university, the administration of FGU will be able to focus on maximizing its educational assets. These and other building blocks and innovations will be discussed in more detail in the following chapters.

HOW WOULD FGU WORK?

FGU will approach its service offering as a series of “value-to-student” categories which will be optimally combined according to each student’s needs, means, and choices. FGU will push the hybrid on-campus/on-line model even further with an *à la carte* approach, offering part-time, on-campus experiences and opt-in access to a network of global campuses, among many other “upgrade” options. Students will have the option to graduate with a dozen internships under their belt, with multiple degrees, or with multiple corporate training certificates. The pricing structure of an education at FGU will reflect this flexibility and will offer unmatched transparency.

Such an economic model will not only be more fair but also much more efficient. By focusing on student demands and needs, the operational and curriculum models will make for a much leaner and more sustainable institution.

FGU will be independent of legacy inefficiencies, both financial and structural. It will offer a more individualized education, along with unprecedented experiential and career services. A lower-cost faculty model will also be much more effective as it will be more focused on student outcomes than on tenure. Meanwhile, research will be curriculum-driven instead of being independent of student academic programming.

The latest technologies in student assessment will help guide curriculum development and the student's individual path. FGU will leverage novel technologies to create a new, continuously evolving educational-content model. This model will allow educational content to compete, resulting in the best and most effective content rising to the top.

These and other FGU concepts and solutions will be explored in more depth in the following chapters.



PART 2:
GLOBALIZING AMERICAN
HIGHER EDUCATION

Chapter 5

INDUSTRY PERSPECTIVE: The New Commodities – Tech, Content, And Campuses

Assumption 1: Online/digital learning has the potential to take the learning experience to new levels of efficiency, quality, and results.

Online education has seen a dramatic rise from near non-existence 10 years ago to tens of millions of degrees awarded. Its popularity means there is a robust demand. Online schools are legitimized by accreditation, and their degrees are accepted by the business community, though not always respected. Students can often learn on their own schedule and without the inconveniences of commuting, allowing for great time savings. Many learn and receive degrees while holding on to full-time jobs.

As education technology advances, these efficiencies will only increase. Online education technology, content, and the industry itself will continue to develop in parallel as technology becomes smarter, content becomes more modular, and the industry becomes increasingly commoditized. The best technologies and content will be adapted across multiple institutions through licensing and partnership programs. Smaller education institutions will be forced to follow the industry trends or risk falling behind.

As education continues to leave the classroom, both on and off campus, it increasingly becomes a mobile commodity. These commoditization trends and predictions are now the common currency at just about every educational conference.

Assumption 2: Online learning will always be lacking in its ability to provide a comprehensive educational experience.

The limitations of online education, especially as it relates to undergraduate higher education, will be very challenging to allay. Colleges providing undergraduate education have for years stated they take in children and build adults. Although much of it is marketing talk (four years at a formative age will lead to personal growth and maturity in many different settings), it does point at some truths and at the future of the education industry. Society has not yet excelled at socializing people online. Interpersonal relationships are still driven by a person's ability to give and receive directives; communicate with and relate to others; accommodate, entertain, and engage with others; as well as understand and follow rules of social decorum. These soft skills still determine an adult's success level. Online education, while attempting to address these limitations in order to improve the soft skills component, cannot offer the natural environment for this (until we truly move to a full-time virtual reality which still remains in the realm of science fiction). On-site education still has the monopoly on providing the kind of social microcosm that is ideal for students to practice and develop these soft skills.

Online education also cannot offer the labs, workshops, experiential learning, physical collaboration environment, and other facilities that are often optimal for many subjects and disciplines. Applied experience has over and over been proven to be a very effective type of learning. Even if one does not subscribe to the 10,000 hours of expertise theory proposed by Malcolm Gladwell, most agree it is difficult to simulate the type of learning from the experiential side of on-campus education in an online environment.

THE CAMPUS

In light of the chasm between what online can and cannot offer, the campus itself and the on-campus experience will increasingly become an important differentiator. Already, colleges have focused on the campus experience as a major marketing driver, encompassing everything from sports to extra-curricular activities, as they outsource their online programs to third-

party operators. The most competitive institutions will be the ones able to integrate, activate, scale, market, and monetize their physical campuses.

Real estate is as much a part of the foundation of the future university as it has been in the past.

In this sense, the traditional, non-profit institutions have a leading edge—they have legacy real estate holdings that can accommodate the commoditized universities of tomorrow. However, they don't have the business model to effectively use such real estate. Meanwhile, the for-profit, online-only educational institutions are at risk of remaining on the periphery as they remain “homeless”, offering the same education as everybody else with none of the experiential options. What will most likely occur is that for-profits will steadily take over poorly performing non-profit campuses and use the assets under a more robust business model. In fact, this is already happening in isolated instances.

STAGNATION OR INNOVATION?

Fortunately, most of these developments are good news. Education technology and quality will continue to improve while college campuses will continue having a positive value-added existence. The student who maximizes the best of each ultimately wins. Likewise, the institution that is built to optimize and capitalize on these trends will come out on top.

None of this is groundbreaking stuff—colleges all over the world are expanding their online programs. But, are these colleges structured to create a hybrid model that truly optimizes both online and on-site? How many changes will their infrastructure require to adapt to this new model? How much internal resistance will they face? Traditional, political, economic, technological, and even existential constraints will slow them down, water down their efforts, cut at their margins, and reduce their ability to compete.

The auto industry faced a similar challenge in adapting to new technologies. Despite seemingly limitless resources, Detroit was unable to use its infrastructure to produce something as groundbreaking as the Tesla Model S. Here we see an example of a Silicon Valley startup, unburdened by the

heavy weight of history and systemic inefficiencies, create a truly remarkable car of the future. The ability to tap into industry lessons and experience while being free from institutional gridlock offers a fertile landscape for true innovation.

During the 2014 SXSWedu conference, Georgetown University Provost Robert M. Groves discussed how Georgetown is a trailblazer of change. However, when asked about the college, students, staff, and programs in five or ten years, he consistently answered, “I don’t know.” His modesty might be commendable, but it also points to the fact that Georgetown is resigned to follow, not to lead. And for a university of that magnitude, and entrenched structure (a small government), following will take a long time. Fortunately for Georgetown, it has its reputation and exclusivity as an insurance policy. What about the institutions that do not? Will they be able to compete?

The answer to this depends on who the competition will be. Will the competition be an institution designed and built on a foundation of the new model? Will the competition be FGU?

FGU'S SOLUTION:

À La Carte – The Hybrid Model And Beyond

Recently, there has been plenty of industry talk about the unbundling of higher education services. This is a politically correct way of saying that there will be increasing commoditization and segmentation within the industry. As education becomes more commoditized, so should the education model.

FGU will benefit from the competition of educational technologies and educational content, both as a producer and as a consumer. If it can find better quality educational content for its students outside of its own development capacity, FGU will pay for it. Choosing the top performing technologies to integrate into its offering without having to worry about legacy systems gives FGU a definitive advantage. Meanwhile, tapping multiple content sources leads to truly need-based education for students with incongruous requisites.

To execute this new academic and business model, FGU will create a ground-up, ***à la carte*** approach. An *à la carte* approach begins with an on-site/online hybrid model, but goes far beyond this. On-site and online experiences don't need to be offered as "separate but equal", but, instead, can be offered as "together but different". The "together" signifies the brand identity under the FGU banner, while the "different" signifies the pricing and offering flexibility. There should be honesty and transparency regarding the various educational offerings, and students should have the opportunity to choose a desired path.

One semester, one year, or one summer on-campus will all be options for the students—an offering that is compatible with a much broader range of

students, especially when economic background and ability to pay are taken into account. Some other building blocks will be:

- Multiple living options (not just “luxury” student housing)
- Athletic facilities
- Internships
- Research opportunities
- International externships
- Corporate training
- Tutoring
- Multiple and cross-continental degrees

By commoditizing the offering portfolio, FGU moves towards personalization with efficient economies of scale. By developing programming and partnerships that are driven by student needs, not department politics, FGU focuses directly on student outcomes.

In light of such innovation, it is the classic non-profit university that is in the “all things to all people” trap which explains the huge disconnect between many universities and their students—faculty who don’t teach; research departments where only 5% of the student body participates; resource allocation to majors not based on student demand; academic bubbles that are completely detached from the real world and job market, etc.

Why should students with different needs and different means be paying the same price for a bundle of services, many of which they do not use? A fairer offering and pricing structure will drop the price of access to excellent education for every student while offering added services and experiences as upgrade options. This structure gives FGU a real financial incentive to create new and improved services that the students actually need and want.

Having an *à la carte* approach allows for more creativity and innovation in developing and marketing new programs. For example, many universities

looking to attract international students engage for-profit pathway organizations to prepare students for studies at the university and to conduct intensive English training. FGU will offer such programs internally, and monetize them. Similarly, by de-bundling university programs, many short-term and specialized certificate programs will be offered locally, at various global campuses, or online. Some of these programs will be created in conjunction with the private sector, which will drive the curriculum based on employment needs.

À la carte is something that is a near impossible challenge to existing universities, and usually requires building new departments, complex operational and political restructuring initiatives, inevitable compromises of efficiency, and conceptual dilution. As an example, one of the most successful institutions to offer multiple education products and a global delivery system for their products, New York University, has faced dramatic opposition on the homefront (faculty, staff, board) to many of these initiatives. This is a natural result of an institution's mission and structure that was created for a very different world and a very different student than today's global student.

THE UP-SELL

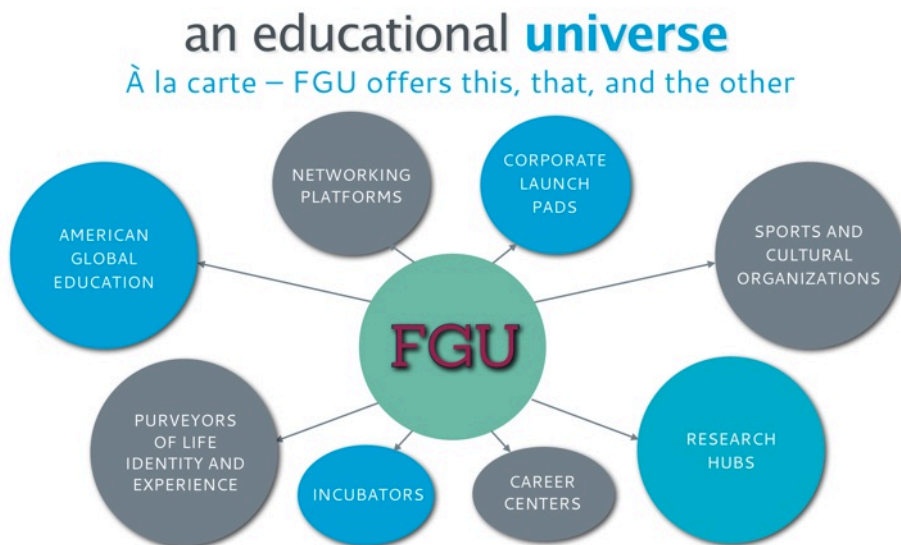
Recently, I Googled “up-sell in higher education”, along with several variations of the words, and found absolutely no hits for the terms on the Internet. How is this possible? To take a mega-industry like higher education and one of the most common sales strategies and to never find the concepts in the same sentence, let alone on the same page, was a shocker. Either this is a deep, dark industry secret, or something is thoroughly missing from the higher-education business model. With tuitions reaching \$250,000 for a bachelor's degree, we can't really claim that higher education is so noble that it is above sales. Perhaps in Germany, where it is free even to foreigners, such an argument might hold water, but not in the United States where a premium education is a pricey and fancy commodity. And let's face it, a mid-priced higher education is not cheap either.

So of course, the up-sell exists. Extra credits? Yep, those will cost you. On-campus luxury apartments and meals? Yes, pay up. Study abroad? Break out

the checkbook. Without openly admitting that there is a strong business element in higher education, universities are cheating both their students and themselves. As mentioned in the *à la carte* discussion, once commoditized, the educational experience can be customized and optimized for different students based on their needs, ability, and resources.

For example, why should a student with limited means, who wants to live on campus, be forced to sign up for expensive housing in suites and singles when other dorm options could cost less than one-half the price? Why shouldn't the university offer a ten-bed dorm room option for its students, instead of bullying them into more student debt? At the same time, why not offer premium singles and luxury living to students who demand it? Is it to maintain some illusion of economic equality on campus? Who are they kidding?

Instead of telling students, “No, we don’t have this” and “No, you can’t do this,” FGU will provide the services that the students, its clients, need. And the services will have a cost or a discount associated with it. The up-sell means efficiency. It offers and provides services—and it is economically fair.



A BRIEF WORD ON LUXURY

Luxury is still a dirty word in an industry where world-class faculty and academic achievement are the marketing touchstones. Nonetheless, as a market force, however subliminal, it should not be overlooked. Rich students receive a luxury experience daily in most of their environments and activities. Their parents, more often than not, expect and receive the same. To them, luxury is not a dirty word. It drives their decisions and motivations.

If a wealthy citizen of Spain, France, Germany, or Russia would like to see her child attend a high-quality institution that offers the amenities that the wealthy family is accustomed to, the current option is sending the child to an expensive US college. **If a wealthy citizen wants to spend a lot of money on education, the majority of available options are expensive US colleges in the United States.** There are few comparable alternatives. Despite the distance, the travel inconvenience, the time difference, and potential visa complications, the United States is still the leading market for a luxury higher education experience.

A university—a brand—that caters to this market segment can find a significant wealthy student pool and superior margins. I suggest that the more expensive, American-style university experience can be offered globally, within closer reach of the local wealth base and with easy access to local luxury tourism centers—beaches, ski resorts, and vineyards. The international private-boarding-school industry has already discovered this and has expanded their premium offerings dramatically, globally, and successfully.

Chapter 6

INDUSTRY PERSPECTIVE: Four-Year Summer Camp

College is fun. College is an experience. College is drinking, socializing, sports, fraternities, etc. College is living with friends. College is college loans. College is four years of deferred responsibility.

Is this hyperbole? How close to the truth are the above statements? Is college about marketable skills? Education? Jobs? Hard data suggests otherwise.

“In 1961, the average full-time student at a four-year college in the United States studied about twenty-four hours per week, while his modern counterpart puts in only fourteen hours per week. Students now study less than half as much as universities claim to require. This dramatic decline in study time occurred for students from all demographic subgroups, for students who worked and those who did not, within every major, and at four-year colleges of every type, degree structure, and level of selectivity. Most of the decline predates the innovations in technology that are most relevant to education and thus was not driven by such changes.”⁵

In an influential study, Philip Babcock and Mindy Marks from the University of California, Santa Barbara concluded that the average weekly

time spent in class and studying while at college had decreased by more than 30% from 1961 to 2003.

Looking for an explanation for this pervasive trend, the researchers found that colleges have not reduced expectations of students' performance—officially, universities still expect students to spend nearly double the amount they currently spend on studying in order to achieve successful learning outcomes.

With a national student body that shows underachievement of this scale—notably, across all ranks of universities—one would expect alarms bells to be going off in American universities. But if this has been perceived as a crisis within universities, it must have been behind closed doors, in very private meetings. Publicly, operationally, and especially structurally, universities are thoroughly complicit in allowing and propagating these trends.

Student and faculty incentives are so disparate in today's university that it is no surprise that there are no checks and balances on student study habits and learning outcomes. Murray Sperber (in Richard Hersch and John Merrow's *Declining by Degrees: Higher Education at Risk*) discusses the non-interactive collusion of faculty and students via their incentives. While students want to have fun, faculty would prefer to do research, so both groups are incentivized to disengage and reward disengagement with positive reviews and higher grades. Over time, student expectations have adjusted to demanding leisure as a service at universities versus universities being purely educational.

Regardless of the reasons for this trend and regardless of personal views on educational policy, most would agree that a higher-education experience that does not require much learning is a misguided pursuit. And yet, time and time again, across most sectors of the education industry, universities are complicit in this trend. "Universities are marketing themselves as havens for fun and recreation, and students are taking them at their word." (*Leisure College, USA: The Decline in Student Study Time*; Philip Babcock and Mindy Marks) Ultimately, the universities should be taken to task for not creating the proper atmosphere and incentives for rigorous learning.

FGU'S SOLUTION:

Addressing Global Student Needs

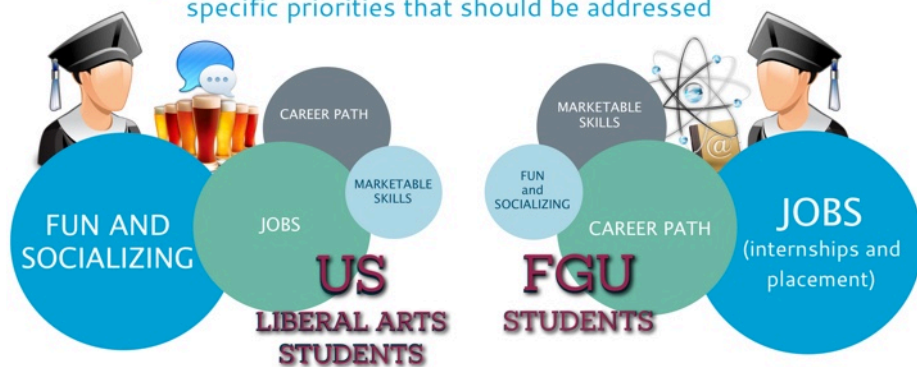
It is not the goal of FGU to only provide an American education and an American experience. FGU's mission is to provide an **improved** education as well as an improved experience to its students. In order to provide this improvement, FGU must be keenly aware of its students' needs and expectations—which will vary from student to student based on their cultural, financial, and academic background. How can FGU do this while providing a consolidated brand identity and not falling into the “all things to all people” operational trap?

While almost all students around the world may claim that finding a good job is the top goal of their higher education, the strength of these statement ranges from real to nominal. The proof is in the pudding. In the United States, the average liberal arts student spends little time in class and leaves college with large student debts and limited marketable skills. On the other hand, the on-campus student's quality of life and experience in the United States is far ahead of those abroad because both the students and the institutions are so heavily invested in it. Conversely, in Asia, many students study, cram, and focus on education first and foremost, more often choosing STEM fields of study with stronger prospects and more quantifiable and marketable skill sets. Meanwhile, the on-campus student's quality of life suffers as a result and is often non-existent.

Students from different backgrounds often reflect these institutional differences. Although these are generalizations, they are supported by data. The intention here is not to create stereotypes but to highlight the challenges (and the rewards of meeting those challenges) of a truly global higher-education institution. Many American students will arrive at FGU expecting the focus to be on the college social experience. International students may expect a more classroom-focused experience. While the influence of the groups on each other has the potential to be highly positive, achieving a golden mean requires positive reinforcement on both sides.

global priorities

the “college experience” is all fine and well, but global students have specific priorities that should be addressed



A superlative American-style campus is a great first step towards achieving the student-life target. A sports program, a broad array of on-campus social spaces and social activities, and on-campus living already offers something that is rare to find outside of the United States and provides new opportunities for international students to enjoy the college experience.

Meanwhile, academically, the intensive experiential curriculum will keep students engaged in study-related activities for a larger portion of their time. The curriculum will be integrated into the daily life of a student, often outside of the classroom. Students will be working online, in labs, and on internship projects throughout the day so that the amount of learning isn't a quota based on their in-classroom schedule.

FGU aims to offer a great student-life experience without falling into the trap of peer pressure to be the best party school. Providing a fun student life and delivering the career direction that is critical to global success are not mutually exclusive.

Quest University in Canada is an example of the rewards to be reaped from adequately challenging students. In the 2010 National Survey of Student Engagement, Quest University was ranked highest among Canadian universities in how challenging the students found the academic program and experience. At the same time, it was also ranked first, among 52 participating Canadian universities, in student satisfaction with their educational experience.

EFFECTIVE FACULTY MODEL

Quest University does not offer tenure—which clearly did not impact its ability to provide superlative academics. The National Bureau of Economic Research (NBER) recently released a study that consistently showed better student outcomes for students who studied with adjuncts versus tenured professors at Northwestern University.⁶

When measured by student outcomes, there is a mounting body of evidence that highlights the inefficiencies of tenured faculty. FGU, driven primarily by student achievement objectives, looks to modernize the faculty model for maximum academic engagement, increased interactive learning, and a better educational experience. This means hiring a faculty that sees students and student learning as the primary focal points of their profession. This faculty will be made up of adjunct professors, researchers, tutors, project managers, industry professionals, guest educators, and project leaders. As a departure from the old classroom model, classroom learning will be project oriented and should have a project-oriented faculty. Professors will oversee the general course direction and engage students' imaginations. Tutors will offer personalized attention where online learning did not suffice. Project managers with real industry experience will engage students as real-world partners and offer formative and active experience.

Such a combination of faculty creates a daily cocktail of learning that never fails to stimulate. Students will face new challenges every day as part of a new and unpredictable learning adventure.

GLOBAL LABOR MARKET

As mentioned previously, landing a job is ultimately the number one priority for the globally mobile student. FGU's mission is predicated upon this very fact and FGU's career services is structured accordingly—not as an office on campus where one finds friendly advice from “career services representatives” and receives a pamphlet on how to find a job—but as a mission-critical division fully integrated into the core operations and curriculum of the university. Consistent with the vision of the importance of

experiential learning to a student's development, FGU aims to offer unparalleled access to the global career marketplace.

As part of the strategy to offer students a broad array of options for internships, FGU will explore multiple channels of employment opportunity. These will include local, public, and private partnerships and relationships; global private-sector partnerships and relationships; and online partnerships and relationships. For a long time, isolated departments (usually engineering or other exclusive programs) have been the recruiting grounds for large private companies. In recent years, the for-profit higher-education sector has done an excellent job incorporating corporate partnerships to offer sponsorship and employment to the student body. FGU aims to integrate these valuable lessons and go much further.

FGU's approach to internships is profoundly different to that of the current higher-education industry. FGU's commitment is to integrate internships into the core curriculum and operations—at every level of study. Career services is not just an overdeveloped branch of FGU—it is FGU. FGU is ready to incentivize internship providers with all means necessary, including direct payments.

INTERNSHIPS

Not all internships are equal. There are complex economies involved in allocating a student's time and skills to a host organization's time and needs. Value-based optimization is required to create an efficient internship market. With a "market" solution, internships can be given accurate curriculum and financial values. With assessed curriculum and labor values, the internship can become integrated into specific course work, creating a more engaged learning experience. Faculty can be directly involved in linking the internship with the relevant course of study, completing the full educational-experiential loop.

For example, two students studying finance find internship positions. One of the positions consists of doing data entry for a financial analysis firm; the other is as an assistant on a trading desk. The student on the trading desk will be learning much more about the finance profession, especially since she will be exposed to seasoned professionals. This internship should be valued

differently for the student and for the university, based on pure educational potential.

The value of interns to employers grows over time as the period of training is replaced with the long-term productivity of successful interns. First Global University will participate in internship management in order to increase the interns' value to the employers. By hosting the interns at in-house working offices, with experienced support staff and mentors on site, FGU will create **interns+**, and take much of the risk of having interns off of the employers' shoulders. For example, employers could continue employing summer interns for longer projects, knowing there will be a professional environment and professional training waiting for the students on campus.

In order to reach this point of innovation and integration, a novel approach to scalable career services is required. This approach will include partnerships with the existing network of global internships hunters and the existing online technology companies specializing in internship matching and management.

This strategy is not limited to on-campus students. With countless new technologies and service providers, such as oDesk, work is being decentralized and delocalized. Online students will be offered a plethora of opportunities to apply their education and skills in the real world. For example, whether it is a programming, copywriting, or research project, students in Asia can be involved in internships all over the world. This would be an excellent experience builder as well as a fantastic résumé builder. As a result, First Global University graduates will be the most hireable graduates in the world.

The operational pieces for this model already exist, but nobody has put them together in a truly synergistic format. FGU does not need to invent the processes, networks, or technologies. FGU needs to execute smart packaging, management, and integration.

FGU's goal would be to provide, or at least offer, internships during every single year of a student's education. How many universities are able to claim to place one-half of their freshman class into internships or employment? None, of course. In fact, most would not be able to claim this about their senior year students. This is once again an example of aligning the foundation of FGU with students' needs and with the real world.

Insights On: Internship Incubators

Startup incubators are a hot concept that is quickly spreading across US college campuses. The university PR machines are “quick to press” with names of incubator professors, mentors and the occasional success story. Startup incubators are sexy and marketable via the inherent Silicon Valley association and the Gates/Zuckerberg success stories. They tap into the aspirations of students—who wouldn’t want to be a billionaire and the boss?

These incubators, much like hackathons, are good innovations. However, I consider these higher education initiatives as “passive” educational investments with limited capacity to affect the majority of students. At hackathons, for example, the excitement wears off quickly for students who are not “hackers” already. Similarly, startup incubators are geared to support the especially prepared and talented students – a self-selected bunch who are able to motivate and follow through on their own initiative. Startup incubators offer excellent opportunities to 50 students, while overlooking the needs of the other 5,000. Furthermore, they distract from the need for high quality internships for the entire student population—internships which teach all students how to apply and acquire skills outside of the classroom.

INTERNSHIP INCUBATORS

Instead of a passive role, which expects students to do the “starting up,” colleges need to take a more active role in preparing students for the real world and allowing them to develop out-of-classroom skills. To do this, universities can set up **internship incubators**. These on-campus “offices” will be co-working spaces supported and managed by university staff. At the internship incubators, students are mentored, trained and managed as they work on real industry projects. The “jobs”—sourced by the internship incubators and completed by students—can range from 8-hour Photoshop airbrushing jobs, to 8-week web design “team” jobs, to 8-months engineering projects. Whether it is engineering, financial analysis, website design, SEO, social marketing, etc., internship incubators can offer a valuable and managed work force to potential employers.

As intern hubs, the internship incubators can bid on projects, both through local corporate relationships and global/online employment gateways like oDesk. As such, internship incubators have the potential of becoming outsourcing destinations for local and global industry. They can also become the go-to, short-term employment resource for small and new businesses.

Since the educational value gained from the internship is so high, internship incubators can dramatically undercut open-market competition on prices and still fulfill their mission. The internship incubator offers valuable experience to students and a low-cost workforce to employers – acting as a competitive agency and creating value for every participant.

SYNERGY

Employers benefit immensely, as they no longer need to spend expensive resources on management of interns, now relying on the incubator to provide that support. The interns become **interns+** — educated, mentored and motivated. Before an **intern+** sends a deliverable to the employer, it will already have gone through an internal review and revision process at the incubator—meaning the quality of work will always be better than in a traditional internship setting. Furthermore, internship incubators are the perfect solution for every business that needs short-term work, but doesn't have resources to train and manage interns.

Logistically, the advantages continue. A valuable intern can continue working on projects for much longer periods. For example, an intern that completed three weeks of onsite training in June does not have to stop working at the end of August. She can continue working throughout the school year at the internship incubator. Thus, corporations such as Boeing and IBM would be incentivized to choose an **intern+** and partner with the university to create special training and educational programs.

For the university, the benefits are even greater. The university can offer “managed” internship programs to a much greater portion of its student population. The internship projects can be strategically chosen and matched to relevant coursework and appropriate students. Thus, the university is able to provide internship quality control and extensive experiential education to its students. Any university that can

place the majority of its sophomore and junior classes into internships will be a clear standout.

For students, the benefits are arguably the greatest. College students can finally be presented with an opportunity for higher education backed by real projects. The quality and skill set of each intern will increase with every completed job. After several years of occupying multiple roles on a variety of projects, students can graduate with superlative skills and an accomplished resume. Most importantly, at the internship incubator, students also gain critical communication, teamwork, and management skills.

The incubators can also serve to reinforce external internships. When students return from off-campus stints at various corporations and organizations, they bring back knowledge and experience that can be shared within the incubator. Thus, students are no longer interning in a bubble, but engaging in new teaching/learning channels amongst themselves.

The financials of such an enterprise can be fleshed out in multiple ways, via both internal and outsourced incubator management models. In either case, the incubators would be expected to generate some revenue to support operations. The balance would come from universities, which are often in the advantageous position of already possessing resources (professors, TAs, real estate) that can be activated into an internship incubator.

DUAL DEGREES

As a university with campuses and partnerships across the globe, FGU can offer unparalleled value to its students through dual and joint cross-continental degrees. For example, a student can graduate with a US bachelor's degree in business and a European degree in engineering, giving the student a significant edge in the job market, both at home and abroad. Though some accreditation complexity needs to be navigated, there are already a few similar programs being offered. One example is the Universidad Loyola Andalusia, which in partnership with Loyola University Chicago, is offering dual (international) degrees in business, law, international relations, and economics.

Although it is a new program that is relatively underfunded and untested, this precedent suggests the feasibility of the proposition. Meanwhile, the value of the proposition to a globally mobile student is undeniable. Similar programs exist in Asia where a larger scale global-education market exists.



Chapter 7

INDUSTRY PERSPECTIVE: For-Profits – Pitfalls and Potential

Modern, for-profit higher education in the United States has a relatively short history of hyper-growth beginning in the mid-1990s (see Figure 7.1). During this period of maturation, two driving forces funneled growth toward relatively low-cost programs for the lower-to-middle income population. One driving force was the relative lack of competition for the underserved/alternative population that did not, historically, consume higher education. The second, more significant, driving force was the availability of government loans which offered a scalable source of income for the for-profit higher-education industry. A government announcing its readiness to send every kid to college was a way of waving its checkbook.

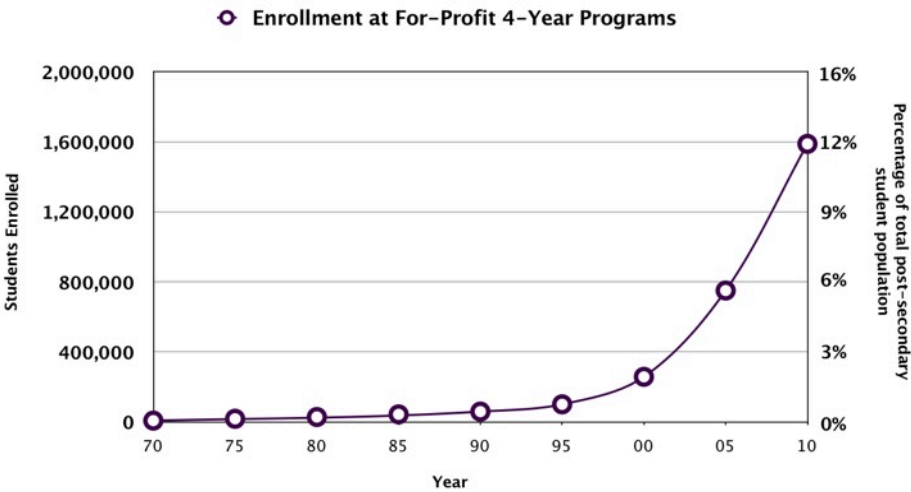
With relatively easy access to government money, the for-profit higher-education industry aggressively targeted, marketed, and recruited the underserved. It created programs that catered to the lower-performing high school graduates by lowering admission requirements and achievement standards. Unfortunately, as is widely accepted, lower-performing students are also generally higher-need students. They need more academic time, more instruction, more personal attention, and more help to enter the workforce—all of which requires more money. The lower-cost model of education, meanwhile, is not very compatible with this reality. As a result, the majority of for-profit higher-education programming is designed for mediocre-target results. Most of the for-profit higher-education industry's competitive edge over non-profit higher education is happening in the marketing department. The numbers have supported these generalizations with both marketing and

profit-line items in the for-profit, higher-education sector outweighing the spending on instruction. The less-informed and less-discerning student populations became target clients for this marketing machine—and until the recent regulatory changes, the government was an enthusiastic partner in this trend.

While focusing on the massive pool of government money, the fantastic opportunity to innovate and improve the classic models of higher education ended up in the back seat and sometimes in the trunk.

As a result, the concept of premium and ultra-premium, for-profit higher education is almost non-existent. The industry decided not to compete with the top existing non-profit institutions which would require a riskier, longer-term investment. While going after the quick and easy money, the industry worked itself into a position of offering inferior products and suffering from an inferior reputation. Although structurally the for-profit world is much better suited for innovation, calculated risk taking, and positive change, two decades of opportunity have been missed.

FIGURE 7.1: THE INCREASE IN ENROLLMENT AT FOR-PROFIT COLLEGES



Source: NCES, *Digest of Education Statistics 2010*

Consequently, we are seeing a systemic backlash against many for-profit education companies. With government and private lawsuits piling up, Corinthian Colleges folding, and several other major companies struggling, the industry is experiencing a forced transition. Though painful, this transition offers hope for more positive and innovative education products and business models.

INNOVATING AT THE BOTTOM OF THE BARREL

Despite being underfunded in its academics, the for-profit higher-education industry has overseen a large volume of innovation. In fact, taking the successes from the various corners of the for-profit, higher-education universe, a mature, effective, and competitive model can be constructed.

Much of the innovation has taken place in technology. The embracing of cost-cutting technologies has brought new opportunities for distance learning, asynchronous learning, collaboration, assessments, and curriculum. Breaking out of the classic classroom model, countless new efficiencies were introduced, modularizing certain segments of education while making others more interactive.

Perhaps the greatest innovation in education is the ability to leverage the army of digital devices—laptops, tablets, smartphones—as a delivery network for educational content. These advances were driven by purely technological breakthroughs (most of which came from outside of the education sector). The for-profits were very quick to integrate this technology into their services and with that integration came experimentation, reiteration, and innovation.

Finally, two decades later, we are seeing the fruits of this development cycle with stronger learning-management systems, smarter instruction delivery, adaptive algorithms, and assessment integration. Best of all, the for-profit ecosystem for technology solutions is well-funded, expansive, and robust. eLearning startups are consistently funded in Silicon Valley, as well as outside of it, and can take innovation to new levels.

Having to cater to the often reactionary non-profit and the academically-unfocused for-profit industries can be a challenge to the technology providers.

What if the premier education-technology consumers were true innovators of premium education? What if the higher education mainstream would show true demand for higher-priced, higher-quality, technology products and drive that demand—thus driving their technology suppliers—towards advanced innovation?

The resulting products would have new, dramatic, and academically hyper-competitive value.

The resulting products activated by the higher education industry would usher in a new generation of higher education.

THE UPSIDE OF FOR-PROFIT

Impressive **business-model** innovations have also surfaced. After all, the for-profit industry was able to capture 10% of the higher-education market in just 15 years.

The for-profit conversion of Grand Canyon University is an impressive case study. The conversion was activated by for-profit education veterans who saw that the strictly online-degree model was severely lacking in branding and identity. Without a brick-and-mortar anchor campus, students did not appreciate the full value of their education and degree.

Looking to compete against traditional universities for the mainstream student base (albeit Christian mainstream), the for-profit Grand Canyon University decided to combine the well-functioning parts of the classic campus model and the new for-profit online model. GCU built a traditional campus with a sports arena and an expanded athletics program while building extensive online-learning capacity and marketing. The campus was originally expected to be a loss leader which would only be beneficial in terms of building the brand and identity of the university in order to attract the broad, distance-learning student population.

Deciding to add these classic facilities to its offering, though seemingly trivial, dramatically liberated the business model. Regardless of the level of

their on-campus presence, all students now have a brick-and-mortar foundation, as well as a mascot, for their degree—which is critical to their self-confidence and brand/alumni loyalty. Tapping into the students’ and the public’s school pride creates a lasting brand that is no longer replaceable.

This investment has paid off handsomely for Grand Canyon University, with some of the highest margins in the industry across both the on-campus and off-campus student populations. The speed with which Grand Canyon was able to grow its student population is astounding. Growing from 3,000 students to more than 7,000 students on campus and more than 40,000 students online, Grand Canyon showed how effectively a *de novo*, ground-up campus, as an anchor to a hybrid strategy, can gain scale and profitability in just a few years. Its current plan is to grow the on-campus student population to 25,000 in the next five years, underlining the sustainability of a campus-based hybrid model.

LACK OF A LEADER

Despite all of this innovation, no single for-profit education company has offered a mass-market educational product that gives the higher-tier colleges a run for their money. Grand Canyon still spends much more on marketing than it does on academics. The organization has built a strong brand and robust marketing machine, but how much has it invested into academic innovation? Is it aiming to offer top academics and create the brightest minds, or is it content with a “good enough” education and better-than-average profit margins?

Perhaps, given enough time, the existing for-profit higher-education sector will find an answer to this innovation problem. Though not as rich as Harvard, the larger for-profits command billions of dollars in market capital. They have the resources to invest, support, and grow innovation. They have technology and partnerships in place. If they see the global opportunity for providing an American-branded education and apply the lessons learned from the past decade of innovation, they have an opportunity to create a powerful global education brand that is backed by a truly premium product.

Insights On: The Minerva Project At KGI

Minerva, on the other hand, is a startup university looking to compete academically with the top institutions. Minerva focused its business and operational models on solving many of the inefficiencies found in the current non-profit higher-education sector. The strategy includes using the best and newest technologies, keeping overhead and facilities as light as possible, free from the tenured-professor albatross. Minerva is decidedly globally focused and globally grounded. Its mission is taking the world's brightest students and producing superior graduates with more world experience and completed projects under their belts than Ivy League graduates—at less than one-half the cost of most private colleges.

It is easy to get excited about the Minerva Project. Finally a story about courageous and extreme innovation in higher ed—an actual reinvention of the liberal arts experience.

FIRST, THE GOOD:

Challenging, engaging and highly-interactive curriculum

Considering the four years of summer camp that is much of liberal arts education today, it is refreshing to see a rigorous curriculum that is actually interested in engaging and challenging students. It appears that Minerva is committed to being a place for active learning. Four years of challenging and relevant education can and will produce superior graduates. I like to point to Quest University in Canada, where the learning experience has been ranked by students as both the most challenging and the most fulfilling – Yes! It's possible. Minerva is on the right track.

A truly global student body

Finally, a global perspective. This is not just business/marketing (although 4 million globally mobile students is a nice target market). Minerva's global positioning reflects the world we live in and opens opportunities for students to learn from each other in powerful new ways. Different student backgrounds mean more than just a broad range of opinions, but also a variety of ways of thinking, working, communicating and playing. Daily exposure to fellow global students will be immensely enriching – even more so considering the annual movement to new geographic locations.

Hybrid of on-site + online, and fully integrated technology

The technology platform Minerva has built seems to be highly engaging. This is great. If it is more efficient and interactive than a lecture or even an in-person seminar, then it is better and should be the way to go. At the same time, Minerva is recognizing the importance of the “social” learning, so there is a “campus” of sorts—effectively a dorm.

Allowing and incentivizing students to use their own resources

At 17 and 18 years old, these are big boys and girls entering their freshman year. They know how to use the “internet machine”. It seems that Minerva is not in the “no question is a bad question” camp, but in the “Google it” camp. If Minerva is able to teach initiative, resourcefulness, and responsibility, the student body will have a much more rewarding four years of learning.

More affordable than most liberal arts colleges

It’s not cheap – but if it can provide good technology, great teachers and an intensive learning environment, along with global exposure and a qualified student body, it’s a bargain. And it seems to be one of the VERY FEW alternatives to the status quo, so we’re lucky it’s not more expensive.

AND NOW, THE BIGGEST CONCERNS:

\$25 million?

Minerva has an impressive founder base and an even more impressive advisor base—and \$25 million of seed capital. I would say a **meager** \$25 million of seed capital because that amount is too low and will pose significant challenges for the organization. To create a sea change in the industry at any kind of scale will take more capital than an average college spends on a new dormitory building. In this case, the innovator is so significantly under-resourced that it’s facing an uphill battle. For example, to create an advanced, proprietary, learning-management system that incorporates the latest technologies may alone cost north of that seed capital amount. Even with great ideas and good people behind them, reaching scale will be a challenge. Considering the scale of Minerva’s target market, it’s taking real baby steps.

Is there enough “onsite”?

Perhaps Minerva places a bit too much trust into its online technology – it doesn’t care where the professors live. Personally, I have run multiple

projects with teams located thousands of miles away. Some of these management experiences were more productive than others. However, remote management is never as effective as on-site. Communication is never as effective remotely as it is in person. Thus, I would expect that fully online coursework will be an “incomplete” experience for the students. The supplemental local “activities” do not seem like enough on-site programming. I also haven’t seen/read evidence of adequate on-site tutoring, mentoring and “project-based” support.

Too liberal artsy?

College should be preparing students for jobs and careers. It seems that Minerva is structured in the classic liberal arts ideal, to create smart and agile thinkers, which is great. However, how much “experience” will these students walk away with? Will real industry projects and internships be a big part of the Minerva education? If they all graduate as “entrepreneurs”, is that a good thing? How impressed were you with the last five people you’ve met who were “entrepreneurs”?

Aiming for niche

Minerva is going after the big boys. If successful, Minerva will be ultra-exclusive – hardly a viable option for the average or above-average high school graduates. It is geared for self-starters and for the already accomplished. At scale, Minerva will still be niche, though there should be a trickle-down effect in the industry (via imitators and emulators), which will take a while.

As Minerva looks to go it alone without an extensive network of partners, the growing pains will be...painful. What may be helpful to Minerva’s success is that it is focusing on the highest-performing applicants—a more niche target. Even if successful as a niche player, the Minerva solution is not one that offers the business and operations model for “the biggest global brand in higher education.”

MORE THOUGHTS:

Minerva is what a great high school should be – preparing kids to think and to be resourceful. Students will find their voices and will be encouraged to take risks, think outside the box, communicate and collaborate. After four years of such a high school, kids would be ready for some real challenges in college. But what kind of college? Should college be four more years of the same? Or should it offer something that transitions them from the liberal arts world of personal and intellectual development, into the real world of

real skills and experience. I would like to see a Minerva-like college that focuses more on the on-campus support and activities that it offers to its students – industry experts, project leaders, labs, tutors. It’s great to learn from brilliant minds online, but quite different than interacting with brilliant individuals in person. Furthermore, I’d like to see Minerva go beyond the “global dorms” model and integrate into the global institutional world. Whether through for-profit businesses or non-profit foundations, college students need exposure to real-world projects and business dynamics. Minerva seems to be too isolationist — like a small, liberal arts school, though not as remote. Again, I think it’s a near-ideal model for a high school, but I think college students need to be doing more experiential work.

FGU'S SOLUTION: Living, Learning, And Working Communities

The scandals, lawsuits and bankruptcies of for-profit universities are unlikely to affect FGU. As FGU aims to offer a more premium education and experience, there should be little crossover with many of the American for-profit issues. FGU's focus on employment and employability will further distance it from the rest of the field. It is FGU's goal to offer the best education in the world—and there is no reason that the best could not also be financially sustainable.

LIVING COMMUNITIES

Much of a student's on-campus success relates to the facilities offered on the campus. In this category, US university campuses really shine. Large amounts of green space, athletic facilities, social areas, dining options, creativity outlets—all of these contribute to student life. The safety and insulation of the campus offers students a chance to focus on studies and to discover themselves. FGU will offer similar campus havens outside the US borders. The goal is to build visionary educational communities that encourage intense focus and concentration while keeping the students' minds and education as open as possible.

FGU looks to build campuses that encourage the creation of educationally motivated living communities. The living communities on campus will start with the American-style, on-campus living experience but can develop far beyond. A more international student body creates a diverse atmosphere of integration—campus culture is opened and freed from cultural peer pressure. A truly global student body will produce new, creative traditions to combine with the more classic ones, such as sports.

Students coming for shorter on-campus stints will add an exciting atmosphere of dynamic communication and collaboration. In such an energetic environment, longer-term students will be much less likely to fall into patterns of complacency and social cliques. The collaborative nature of experiential education will further strengthen social links among a variety of students.

Student quality of life has a real impact on their studies—a happy student will more likely be a productive one. Students who spend the first year on campus have a higher likelihood of graduating.⁷ As a simple response to the shortcomings of much of the for-profit, higher-education universe, FGU will offer its students a memorable on-campus experience.

SOCIAL LEARNING

The quality of the on-campus student life experience will have spillover benefits online. FGU living and learning communities will be integrated with the larger online student body. Online students will communicate and collaborate with onsite students, reinforcing brand identity through community. Social clubs and sports activities will be integrated online as well, creating a more inclusive global outreach. FGU video/print/music clubs, student blogs, sports discussions, activity clubs—all will have an online presence.

This inclusive strategy of online social programming will integrate the broad, online student body into the daily life of the campus and college. The larger the student body, the greater the scale of online social programming the university can have.

A small student body college has few options for any kind of online social environment. At FGU, the scaled, global student population opens exciting opportunities for students to share their lives, experiences, and learning with their peers. This is already happening amongst on-campus students in the United States whose communication with other on-campus students is increasingly electronic. Plugging remote students into this network is realistic and offers scalable benefits.

The technology driving this can be proprietary or it can be integrated with existing social networks. Considering the scale potential of FGU, existing social networks would be very interested in partnership and integration into the university ecosystem.

WORKING COMMUNITIES

FGU will also encourage the creation of globally integrated working communities, both through programming and technology. A working community offers collaboration, support, and resources to any member of the FGU family: students, faculty and alumni. Through automation and social networks, people can be matched based on their needs in almost no time with limited effort. A fully developed FGU working community will be able to offer a broad, LinkedIn-like intranet to reduce the barriers between alumni, faculty, and students. This will unlock the flow of opportunities for internships, research, and jobs.

A global FGU collaborative network will enable round-the-clock project marathons as assignments are handed off from time zone to time zone. The network will also be attractive to future employers. Whether the student is involved in a project that is FGU-initiated, internship initiated, or private-partnership initiated, she will be able to find assistance from faculty, other students, and alumni. The value may be in the form of advice, collaboration, or partnership. The brand of an FGU graduate will be especially strong in the labor market since an FGU student is backed by a powerful support culture while both in and out of school.

CURRICULUM INNOVATION

Liberal arts colleges are usually structured to allow a great amount of freedom for the teaching staff regarding what is to be taught and how the content is delivered. However, great teachers come and go without anybody being able to press the save button. Meanwhile, poorly performing teachers are able to continue unchecked for long periods of time, especially, if producing published research. As a result, the educational content is always better or worse, with little memory, and no overall trajectory of improvement.

On the other hand, large and decentralized higher education institutions usually steer towards content that is much more fixed, offering a more constrained delivery.⁸ This is a way to manage risk and ensure consistency of the product, but the staff and students suffer as they are restricted to a stiff and inflexible curriculum. Teachers are unable to address a student's specific needs and innovation is neither permitted nor encouraged, allowing for poor or mediocre content to live on.

At FGU, in a break with both non-profit and for-profit traditions, curriculum content will be subject to a new and powerful formula. The FGU model is revolutionary in that it allows content to compete and evolve in such a way that the winning content becomes fixed until better content comes along.

This will be done through structure and technology. A decentralized faculty structure with flexible content delivery will offer multiple teaching approaches to the same subjects. As these teaching approaches are offered both locally and online, FGU students everywhere will receive access to a variety of different teaching methodologies.

The watershed moment occurs in the digitization of and accessibility to most past and current classes. As this happens, lines are blurred between online and on-site and between local faculty and remote faculty. As more and more faculty and teaching approaches hit the LMS, the most effective faculty will rise to the top based on pure demand for their courses—with the best courses reaching more and more students.

As the courses are stored, the base of FGU content will continue to increase and improve. For example, if a Fluid Mechanics class proves challenging to a student, the student will have access to multiple past classes taught by other professors (many of whom will still be in the FGU faculty network). With access to multiple professors offering different takes on similar material, there is variety and competition. If the explanation by the first professor is confusing to a student, another professor's explanation may do the trick.

As the courses and content are broken down into more modular chunks, the coverage of a subject will become increasingly optimized. With increasing automation and technological solutions, the content will become adaptable to individual student learning paths. It is a system that gains value, to FGU and its students, with every class that is taught.

The technology for this is available and its potential is nothing less than groundbreaking. The result is a university that is truly built as a learning and support bank for each and every individual student. Combined with social learning technologies, the First Global University LMS will leverage interactivity of the latest educational technologies to create a breathing and growing knowledge tree. Students will be empowered to challenge themselves and others in new ways with the ability to curate their own study groups, interdisciplinary connections, and research projects.

Insights On: If the Higher-Education System is Broken, Why Isn't Big Money Trying to Fix It?

Young graduates crushed by loan debt. Four years in college without acquiring marketable skills. Tenured professors not interested in teaching. A national skills gap. Lack of effective assessment. The list goes on. We hear every day of the inadequacies of the current education system. Why aren't things changing?

The top institutions are flush with money, talented students, and consistent positive reinforcement from within their own universe and from general social perception. At such institutions, change is neither incentivized nor likely. The next tier of universities competes and strives to be as much like the top tier as possible, thus following very similar educational and operational models. This mimicry effect trickles down a long way. The top universities set the example that all academia strives for. This has been the case for hundreds of years. Deep-seated traditions of "how things are done" are not easy to undo.

The heavy weight of tradition combined with the non-profit nature of most educational institutions form the true barriers to innovation in higher education. The same non-profit stature that offers tax benefits and endowments tends to forbid structural innovation. The higher-education establishment is not structured for risk taking, the very engine of innovation. Billions are spent on maintaining and protecting the status quo, no matter how inefficient or ineffective.

Meanwhile, the way people live and work, and what they work on, has changed so much in the last century that the antiquated, higher-education model simply can't or won't adapt. Perhaps it is up to the for-profit sector to bring the latest and the greatest to transform the educational landscape.

Where to find the right investors? How to fund this risk and innovation?

Risk and innovation are already happening with players as disparate as Grand Canyon and Minerva building on for-profit innovations from the 1990s and the 2000s. With for-profits having only 10% market penetration, there is still most of the pie left for innovative educational models to grab, instead of leaving it on the table, to be

serviced by antiquated educational models. The first for-profit players able to quit obsessing over government loans and low-hanging fruit in order to refocus on mainstream, global, higher-education consumers will become the largest and richest educational brands in the world. These companies will need to invest into products and brands that offer a premium higher education and a premium higher-education experience. The future grows both clearer and brighter each month. It's time to throw down some capital and bet on it.

Chapter 8

INDUSTRY PERSPECTIVE: The Demand For American Higher Education Is Only Growing

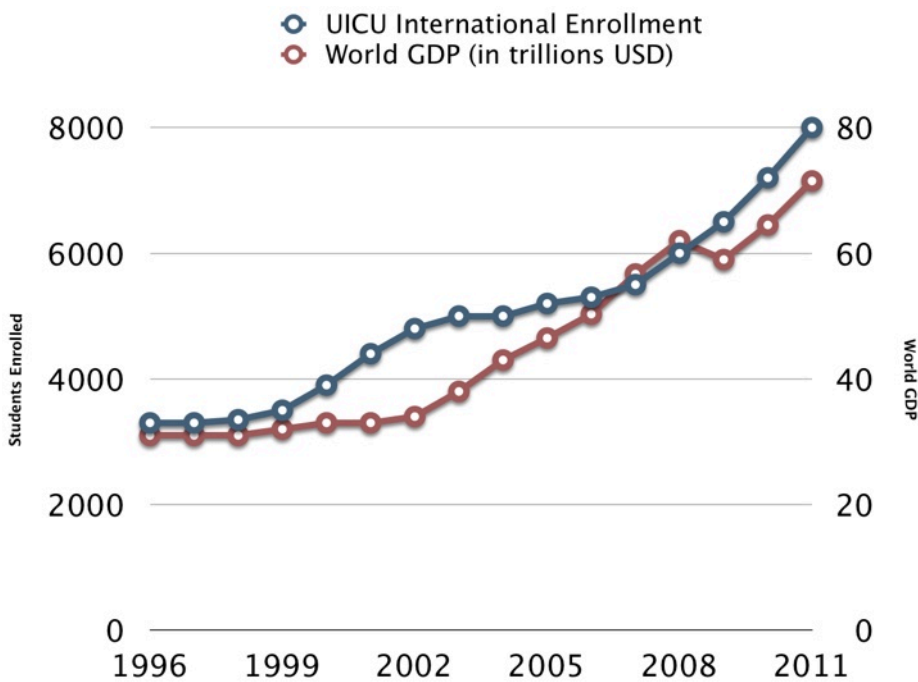
DEMAND IN NUMBERS

During 2008-2009, the worst years of the global economic crisis, when the sub-prime mortgage collapse became a fiscal meltdown and sent the global economy reeling, how did the public/private university sector fare? According to Moody's, during this fiscally brutal time, universities demonstrated "a countercyclical ability to increase student enrollments during recessions...and offer long-term potential for increasing revenue diversity".⁹ Even the non-premium, for-profit education sector showed considerable strength through the recession. Likewise, international student enrollment growth trends in US universities have powered through any and all US and global economic downturns, often picking up the pace of growth.

The situation is similar abroad. Antonis Polemitis of the private University of Nicosia, the largest university in Cyprus, announced at the 2013 BMO Education Conference that enrollments were steady and increasing throughout the fiscally distressful and highly dramatic 2012-2013 Cypriot financial crisis. Among Cypriot families, regardless of financial prospects, premium higher education was deemed the most important family priority and all resources were pointed in its direction. Similarly, across Europe, as its struggle to stabilize economically continues, the private higher-education sector is showing real growth.¹⁰

The global demand for US education has been consistently robust. The story of both its growth and the resilience is reflected in the chart depicting the University of Illinois at Urbana-Champaign (UICU) historical enrollment of international students. (See Figure 8.1) The international student enrollment numbers have been rapidly increasing over the past decade.¹¹ The rate of growth during the global downturn in 2008 is an even more dramatic testament—it did not slow down, but actually increased.

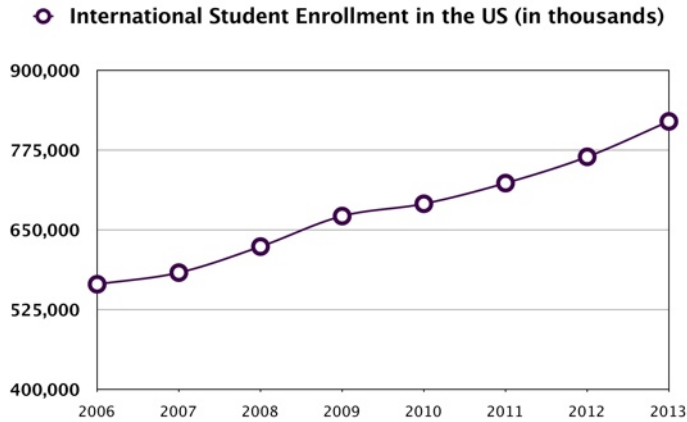
FIGURE 8.1: INTERNATIONAL ENROLLMENT AT UICU VERSUS WORLD GDP



Source: *A Visual Tour of International Student Enrollment Trends at the University of Illinois*, <http://courseweb.lis.illinois.edu/~calehman/LIS592MBT/slicedice.html>

These trends at UICU are consistent with those across most of the other US higher-education institutions with more than 820,000 international students studying in the United States today versus less than 600,000 in 2007. (See Figure 8.2)

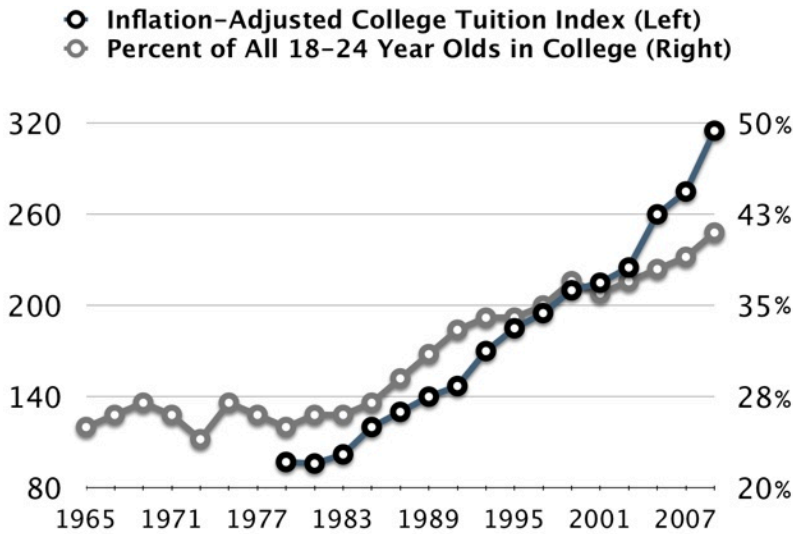
FIGURE 8.2: INTERNATIONAL STUDENT ENROLLMENT IN THE US



Source: IEE.org, Open Doors Report 2013

Interestingly, as demand for higher education has been shown to be relatively inelastic in regards to economic cycles, it has been similarly inelastic in regards to increases in the price of tuition. (See Figure 8.3)

FIGURE 8.3: COLLEGE ENROLLMENT VERSUS COLLEGE TUITION



Source: Census Bureau, Dept. of Education, Prof. Mark. J. Perry

DEMAND IN WORDS

The demand for premium international education is represented by the globally-mobile post-secondary student base, which is now more than 4 million and is projected to grow to more than 8 million in the next ten years. These are students who can afford to leave their country of origin in search of premium options.

What percentage of this group demands a US education? What percentage wants it?

These are moot questions. Consistently across different societies and cultures, parents want the best for their children. If it can be afforded, the opportunity to send their children to the United States will usually be taken. There are some exceptions, of course. Higher-education systems within the United Kingdom have strong reputations and are active in global student marketing, but the global reputation numbers conclusively point to the most respected and preferred option: the United States. Universitas 21, a global network of research universities, has consistently ranked the United States higher-education system as the best in the world. (See Figure 8.4)

Whether deserved or not, American education has the reputation as the world standard. Children of rich Russian oligarchs want it. Children of poor Cambodian farmers want it. Children of Brazilian pharmacists want it. Children of European aristocrats want it. It is the world vanguard—proven over and over by rankings, polls, and statistics. If one can afford it, and can score a student visa, one wants an American degree. Hundreds of thousands of international students are studying at third-tier US colleges and paying a tuition which is exorbitant by their home country's standards, solely because it is an AMERICAN college.

There are some good reasons for this demand. The obvious reason is jobs. A good reputation gets jobs; the English language gets jobs; and access to the US and global employment market gets jobs. Furthermore, the American system is by far the best funded in the world with powerful research departments and expansive student life programs. It consists of a huge and competitive market in the United States where universities often compete for the best students.

Thus, whether one agrees with the global community’s assessment of US education, or if one thinks the reputation of American education is riding on the coattails of the top twenty or fifty US institutions, the global demand for American education is undeniable.

FIGURE 8.4: UNIVERSITAS 21 GLOBAL UNIVERSITY RANKINGS

Rank	Country	Score
1	United States	100
2	Sweden	85.2
3	Switzerland	81.6
4	Canada	80
5	Denmark	79.8
6	Finland	79.4
7	Netherlands	78.2
8	Australia	77.2
9	Singapore	76.6
10	United Kingdom	74.9
11	Austria	71.8
12	Norway	71.8
13	Belgium	71
14	New Zealand	69.7
15	Germany	68.2
16	Hong Kong SAR	67.6
16	France	67.6
18	Ireland	66.8
19	Israel	63.8
20	Spain	60.5
21	Japan	59.6
22	Portugal	59.1
23	Slovenia	58.4
24	Korea	57.6
25	Czech Republic	56.7

Source: Universitas 21. The scores are a composite of marks for output, resources, environment and connectivity, expressed as a percentage of the top nation’s score.

So is the love and demand for American education blind?

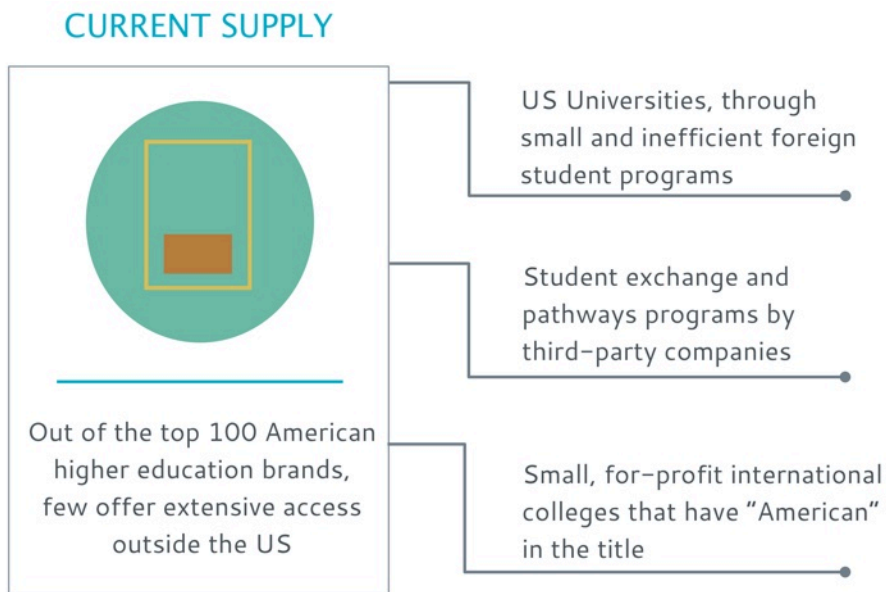
Yes!!!

Is it justified?

Yes (a more cynical yes, but a yes nonetheless).

This brings us back around to the main thesis of this book.

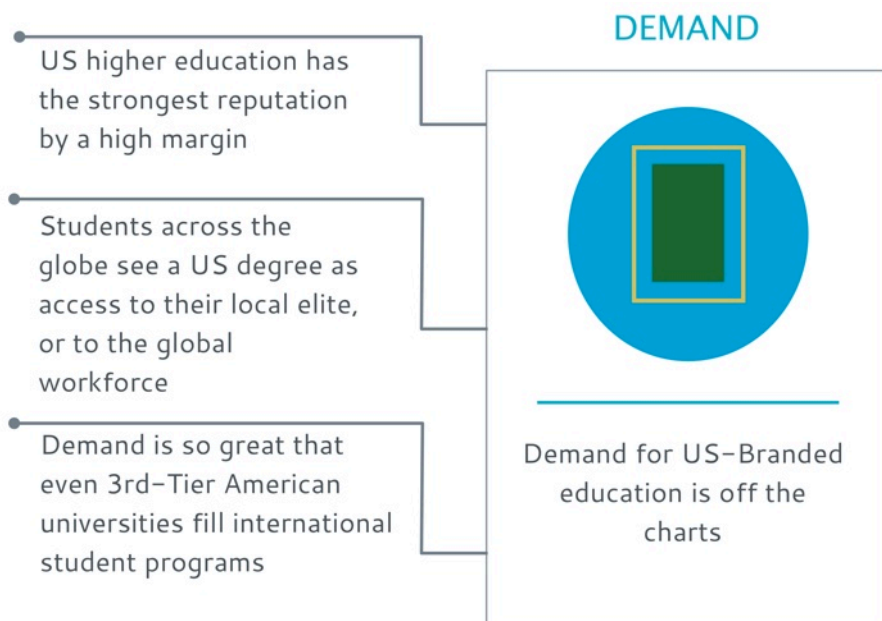
With a GLOBAL and MOBILE demand of this magnitude, such intense faith, and such inelasticity, why is no US institution offering to deliver this premium product globally? Of course, some education institutions are doing this on a small scale in major cities, in luxury beach towns, and in different corners of the world. However, there is no Starbucks, no Louis Vuitton, no Apple, and no IBM of the education world—***there is no premium, global education brand.***



American education is a premium product that almost everybody in the world wants, and many are willing to pay high margins for, but there is no institution truly offering it globally and at scale. Meanwhile, even the Barcelona soccer team travels the world to bring its product to its global fans (spending at least as much time on the road as it spends at home).

Which brings up the question: Why are US institutions so stingy with their premium education, keeping it trapped on US shores? This stinginess translates into risk-averse behavior that leaves billions of tuition dollars from global students untouched—a dramatic economic inefficiency.

It is time for an institution, a partnership of institutions, or a de novo institution to build a truly global, premium education brand and become the biggest (and the best) educational institution in the world.



FGU'S SOLUTION: American-Global Branding

Branding is a broad concept that can be applied at different levels of higher education. Colleges often brand the education, the experience, the sports, the faculty, the majors, the housing, the technology, etc. Generally, anything that is marketable can be branded. And as several seasons of *Mad Men* and several centuries of capitalism have taught us—BRANDING WORKS! In this chapter, I will focus on a few key components of a branding strategy: the branding of American education, the creation of an overall brand image, and how these two apply to the global model.

As discussed earlier, American education is comfortably the world leader in academic reputation. It is the most expensive, and from the global viewpoint, the most exclusive higher-education option. First Global University would claim American education as the core value of its brand. The goal of the branding strategy would be to make FGU synonymous with American education, regardless of where it is delivered. Doing this leverages the accomplishment of centuries of excellence across the Ivy League and beyond. This branding is exactly what attracted more than 800,000 international students, the majority of whom are not in the Ivy League, to the United States in 2013.

In fact, branding America abroad is much more straightforward than branding America within the US boundaries. For example, it is much easier for First Global University campus in Spain or China to use Silicon Valley as part of its branding than it is for the University of Idaho. For FGU abroad, a strategic partnership with either academia or the corporate sector in Northern California offers access to Silicon Valley and would instantly become part of the FGU brand identity. The University of Idaho, on the other hand, would struggle a lot more to convince the world of such a brand association, unless it had a physical branch campus in Northern California.

BRAND BUILDING AND IDENTITY

FGU flips the traditional study-abroad branding on its head. For example, the University of Idaho may market the world to its students, through various (usually third-party) programs abroad. At the same time, it can market a piece of America (via Idaho) to global students.

As a global American university, FGU can market and brand **ALL** of the United States—a distinct advantage over every other American university. This can be done through its global campuses, partnership campuses on American soil, or American academic programming delivered online. With real strategic partnerships to back this concept, FGU would not be lacking in authenticity. Meanwhile, as FGU adds to its global presence, its brand will over time, transcend a strictly American association to become American Plus.

How does FGU extend the American brand to a complete, globally recognizable brand image? In order to succeed in this endeavor, a more comprehensive branding strategy is required—one that can be leveraged globally and online. A recent UCLA survey of the top reasons students choose a college showed academic reputation and jobs at the top of the list, followed by cost, the college campus, and the experience.¹² These priorities form a simple set of guidelines for the FGU branding strategy.

Jobs - Offering international students an American education brand that offers an advantage in their home job market and access to the global job market.

Academic reputation - Strategic partnerships with respected academic brands solidify a strong reputation.

Campus and experience - A superlative college campus providing a competitive college experience that can be delivered globally and online.

The best approach would be to take the successful and familiar branding models of today and adapt them. American campuses, for example, have been developing a very successful and viral (within the United States) model over the last hundred years. This highly social model includes promoting beautiful, sprawling campuses where one finds micro-societies that flourish, sports teams and mascots that extend the brand both on and off campus, Greek systems,

intramurals, etc. This combination of tangible brick-and-mortar qualities with a unique social experience creates a brand that students, faculty, and alumni can wear with pride.

Fortunately, many of these branding aspects are viral and carry well beyond campus boundaries. Online students are much more likely to have school pride if there is a beautiful campus backing their degree, even if it is a campus where they have only spent a single semester, one week, or just one day. The premium quality of the brick-and-mortar campus will correlate with their confidence in the degree—looks matter.

build identity
competition, quality, leverage, scale

The Barcelona Futbol Club brand gets stronger with every new fan, no matter if the fan is located in Spain, United States, or China

Physical Campus, Sports, and Culture
Grand Canyon University single-handedly showed the power of identity in attracting students, creating a powerful education brand in a very short time, and commanding very impressive profit margins

Specialization and Partnerships
Full Sail University has reached impressive scale and profitability by establishing deep roots in industry, while embracing a high-end service model for its student base



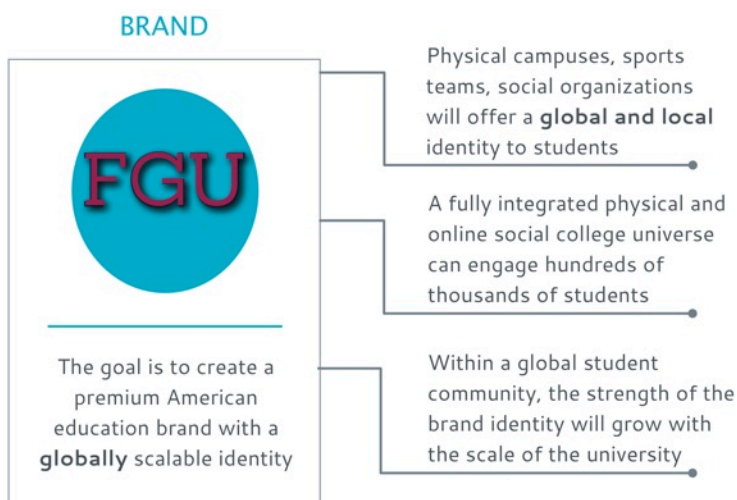
SPORTS TEAMS AND MASCOTS

The effects of having sports teams and mascots are powerful tools to unite students and alumni across long distances. As previously discussed, the for-profit Grand Canyon University has seen this as a key aspect of its brand, creating an NCAA program in a matter of a few years. In fact, within an on-site/online model, where the annual number of students can be greater than 100,000, the ability to leverage the team brand across an instant fan base is unprecedented. Sports fandom is nearly universal across all cultures, and there are few other examples that are as effective in uniting communities or fostering brand loyalty.

Building an athletics program outside the United States can be surprisingly attainable. For example, the Universidad Catolica de Murcia, a private Spanish university, purchased a basketball team that plays in Spain's Liga Endesa, and possibly the Euroleague. This reinforces the university's brand identity and improves the student experience with a turnkey solution that did not require a ground-up, long-term effort.

On-campus living is much more common in an American-style university. FGU would export the student lifestyle that has become so popular in the United States with some adaptation to local markets. New on-campus traditions and social groups will be fostered through a more global student base—creating a positive and interactive campus life. The on-campus experience will be a core aspect of the FGU brand and a broad part of its marketing strategy. Students will be offered the best of both worlds—an American college experience and a truly international and globally diverse student body.

delivering American **education**



Insights On: Building Global Brand Gateways

American higher education institutions have been experimenting with international branch campuses for several decades. There are two main industry motivations for these global campuses. One is to add a global academic outlet for the home campus student base. With some universities having student populations that reach into six figures, there is adequate demand for summer study abroad and semesters abroad to justify the establishment of a small campus. These campuses are often located in attractive tourist destinations in order to increase their appeal. The focus is often on the location and local experience versus academic rigor. Furthermore, these global campuses can be marketed to other US colleges to fulfill their programming needs abroad. The advantages of such a campus are added prestige, increased offerings, and an additional revenue stream.

The second motivation is to take advantage of the local student base and fulfill some local higher education demand. This has been done with mixed results. The main challenges have been operational difficulties in coordinating the branch campus from the home campus, as well as cultural differences between the home market and the abroad market. These issues have led to multiple unsuccessful ventures in Japan during the 1990's branch campus boom, and to the many issues that American universities are facing today with their campuses in the Middle East.

More recently, there has been a third motivation for international campuses—the “global network college”, championed by NYU. This more unified global university concept looks to bridge the two previous motivations to create a multi-directional movement of students from campus to campus. So far, this is working out for the “outbound” movement, as American NYU students have higher rates of studying abroad than students at most other universities. More than one-half of NYU study abroad students take advantage of NYU global campus programs. It is still too early to tell how well the “inbound” student mobility will play out, since the branch campus populations are a very small proportion of the overall NYU student base.

While NYU is beginning to scratch at the potential that global campuses can provide, there is a fourth motivation that can

become more important than the first three combined—building of **global brand gateways**.

As an American higher-education institution looks to globally expand its brand, one of the main challenges is establishing brand legitimacy in the target market. Let's assume that the Ivy Leagues have the reputation to pull this off without too much effort—I hear stories of farmers in China carrying a copy of the *US News: College Edition* in their pockets. How does a second-tier university establish a reputation abroad?

An impressive, American-style brick and mortar campus is a way to distinguish a school from all local competition. Campuses are a huge part of a university's marketing in the US – and this would also be the case abroad, especially where such campuses are scarce.

Of course, this may also be consistent with NYU's global strategy, so the question is “How is the fourth motivation different from the third?” The answer is: The value of global brand gateways grows exponentially once an online learning offering is combined with the physical campus. This way, the reputation built with the permanence of the brick and mortar becomes the foundation of the online program marketing. Combining American reputation with a local presence, offers a powerful combination of the mythical and the tangible. If an American university builds a beautiful campus in Spain, it can populate a 3,000-person campus with a combination of students from the US, Europe, South America, the Middle East and Asia. At the same time, having a brick and mortar campus, allows it to market an online program backed by an American brand with a permanent local presence—moving the perception from a “theoretical and mysterious”, long-distance online education, to a real degree that is both global and local. In fact, with European population densities, the target market would be extended to many of the neighboring countries, as well.

Imagine a second-tier American college looking to enter the European online education market. The challenge is intimidating—where to start? How to convince students of the degree's value? A local/global, physical campus anchors the brand and does the bulk of the marketing for the university. The ultimate upshot is that the global gateway campus can be de-risked by using it as a destination campus for study abroad—allowing for a lengthy runway to grow the local student population.

Chapter 9

INDUSTRY PERSPECTIVE: Barriers To Exit At Home And Barriers To Entry Abroad

International Branch Campuses (IBCs) are old news. They have been in existence since the 1950s when Johns Hopkins opened a campus in Italy for its international relations department.¹³ While there have been IBC booms and busts, as seen in Japan during the 1980s¹⁴, the number of international branch campuses is now nearing 200.

“Nearly half of all IBCs are part of an institution in the United States, with Australia and the United Kingdom being the other significant exporters. Most of the IBCs are now located in Asia and the Middle East, with nearly a third in the United Arab Emirates. Moreover, there are at least 13 countries that both import and export IBCs. Australia, the United Kingdom, and the United States all host a few IBCs, though they export many more than they host. Others that both import and export institutions are Canada, Malaysia, Belgium, France, Italy, Mexico, the Netherlands, Russia, South Korea, and Switzerland.”¹⁵

One hundred and eighty international branch campuses in 2013 certainly sounds like an impressive statistic. But, how many of these IBCs reach any kind of scale? How many are truly integrated into a global university structure? And how many of these are villas in the countryside or several floors in an office building with relatively few staff members catering mainly

to short, semester-abroad programs? If we remove the latter group, only a handful of institutions will remain—specifically, a few UK universities with aggressive Asia strategies and campuses of several thousand students in Hong Kong, Singapore, China, and Malaysia.

NYU is certainly a standout in the field of global strategy amongst American, private, non-profit universities. The new Abu Dhabi and Shanghai campuses are designed for thousands (not hundreds) of undergraduate students. Using the global network university model, NYU is globally leveraging its brand and operations. The success of these IBCs remains to be seen. NYU is a large non-profit organization with institutional incentives that may not align with the proper business model for a global-education offering. Having received massive financial incentives from local governments in Abu Dhabi and China, NYU has an impressive head start. Will it be operationally up to the task? Would it have interest in scaling global growth if more upfront risk was required?

FOREIGN STUDENTS IN THE UNITED STATES

The foreign student body is impressively disseminated across the US higher-education system with more than 210 universities claiming at least one thousand international students. Looking at the top 25 most popular US destinations for international students, one might quickly notice that they account for only 20% of international students.¹⁶ (See Figure 9.1) Many global students find their way to large public universities with lower tuition and larger research departments. The surprising, but very apparent, trend in the foreign-student diaspora in the United States is that the global student is not as selective as one may expect. Students travel thousands of miles and spend tens of thousands of dollars on education at colleges that many Americans have never heard of.

Ultimately, even on US soil, there is no single institution that seems to have a large lead in international-student enrollments. Most institutions have international enrollment rates rarely breaking 10% of the student body. This reflects the nature of non-profit colleges as non-opportunistic institutions—international marketing is a part of a small department among many other

departments. Some state schools are expanding their international footprint with both global marketing strategies and IBCs, but structurally, these institutions are simply not built for these efforts and the operational challenges they would entail.

FIGURE 9.1: TOP US UNIVERSITY DESTINATIONS FOR US STUDENTS

Most Popular Desitnation for US Inbound Postsecondary Students (2010–2011)		
1	University of Southern California	8,615
2	University of Illionois – Urbana–Champaign	7,991
3	New York University	7,988
4	Purdue university – Main Campus	7,562
5	Columbia University	7,297
6	University of California – Los Angeles	6,249
7	Ohio State University – Main Campus	6,082
8	University of Michigan – Ann Arbor	5,995
9	Michigan State University	5,748
10	Harvard University	5,594
11	Indiana University – Bloomington	5,471
12	Boston University	5,464
13	University of Florida	5,393
14	University of Texas – Austin	5,323
15	Penn State University – University Park	5,207
16	Northeastern University	5,187
17	SUNY University at Buffalo	5,185
18	University of Minnesota – Twin Cities	5,124
19	Georgia Institute of Technology	4,943
20	Arizona State University – Tempe Campus	4,934
21	Texas A&M University	4,874
22	University of Pennsylvania	4,752
23	University of Wisconsin – Madison	4,647
24	University of Houston	4,377
25	Cornell University	4,357
	Top 25 Total	144,359
	Other Schools	578,918

Source: IEE.org, Open Doors Report 2013

BRANCH CAMPUS CONFLICTS

For a university, the challenge of expanding globally begins at home. The concept of a home campus and a branch campus can be problematic due to the inherent differences in mission, governance, management, economics, incentives, etc. Concerns about curriculum control, quality control, and control over resources can lead to power struggles and political battles that play out among the administration, the faculty, and the board of directors. As a result, “many home campuses do not allow IBCs much freedom to adapt their policies and procedures to local conditions. This often seems to come from a view that adaptation would lessen quality and negatively affect the home campus reputation.”¹⁷ The home campus often views the branch campus as something different and apart which leads to the branch campus feeling “disenfranchised and disconnected as they have limited means for engaging in the institutional governance structures.”¹⁸

At a traditional US institution looking for global expansion, there is always a risk of divergence between the interests of the home campus and the interests of the branch campuses. Lack of trust or commitment from the home campus can lead to communication issues as well as financial shortfalls. Furthermore, the stress of reputational currency becomes a burden on both campuses. US universities were more often than not created to cater to local populations with no consideration for branch campuses. The inefficiencies of such mission misalignment—especially when the institutional missions were written before air travel and the Internet—become a serious “barrier to exit” for the university.

Global expansion requires a new kind of balance between consistency and flexibility. Whereas a global campus may stick to a classic classroom/textbook curriculum, a branch campus may be better positioned to embrace newer educational approaches, such as more autonomous, Internet-heavy, experiential and lab learning. The ability for innovation at a global campus should be seen as a positive opportunity for development and improvement of the quality of the curriculum. Instead, branch campuses are not only often ignored, but also are actively discouraged from innovating. Innovation should not be subject to a control structure that is aggressively looking to preserve the status quo.

BARRIERS TO ENTRY

The barriers to entry are more logistical than political. It took NYU more than five years to set up a branch campus in Abu Dhabi. To begin, an American-style campus is a large undertaking that usually requires large capital and development projects, long timelines, and complex political maneuvering at a distant location. A prolonged and capital-intensive project is not only a risky proposition, but also a difficult pitch to a board of directors.

Many not-for-profit universities in the United States have the advantage of large campuses with decades or centuries of development history. In light of such a perceived disadvantage, for-profits may be reluctant to compete.

Although a challenge, the creation of a *de novo* campus is a realistic endeavor. There are precedents for successful investments into large campus expansions which led to the creation of great long-term value for the institutions. Furthermore, there are underutilized assets around the world that can be activated as American-style campuses.

Real estate developers will see globally expanding universities as a client base and will provide campus solutions, such as turnkey campuses that would not require a capital project and could be activated in less than one year.

On the political end of the spectrum, universities are very attractive propositions to local communities. Municipal, state, and federal governments around the world are offering incentive programs to attract educational institutions to their regions.

FGU'S SOLUTION:

Operating Globally

Using the best of American-style higher education as a foundation for innovation and growth, a global university can find new revenue streams, international prestige, and an improvement in the educational and experiential offering. Most importantly, since the mission of FGU is global, each campus is a core campus receiving complete support and proper resource allocation. Structured for growth and productivity, FGU will command an advantage over any previous international branch campus. Operating globally, however, can present a new set of challenges—the creation of campus assets, sports programs, dormitory culture, student life, and perhaps most importantly—a global faculty.

GLOBAL FACULTY

“Too many accounts of teaching in transnational programs begin with an unquestioned view of academic life, in which tenured staff engage in a life’s work of research, teaching, and community service within a community of scholars. Invariably, the conditions of work in the branch campus or local partner institution fall far short of this ideal for most commentators, and conclusions generally revolve around the question of how to make academic work in these peripheries more like the traditional ideas.”¹⁹ FGU’s mission is to be a global innovator that seeks to create an institution that functions IN the real world, not outside of it. The faculty will be challenged to interact, engage, teach, and improve from DAY ONE.

For both cultural and logistic reasons, a hybrid faculty model—a rigid structure globally and a flexible structure locally—will offer the golden

balance of consistency and adaptability. A managing faculty base will be established to set and manage the curriculum for departments. This group of faculty will lead teams of adjunct professors, industry professional, tutors, lab leaders, and assistants who will provide courses online and at local campuses. The managing faculty will be accountable for the structure and performance of the departments, ensuring that content is competing efficiently and that FGU's learning and working communities are growing.

Without having to worry about tenure, hiring adjunct professors is a straightforward business. The reality of today's higher-education faculty is that there is a large and globally mobile pool of highly qualified professors (American and non-American)—the so-called PhD bubble. FGU is perfectly positioned to gain from this worldwide talent. Supplemented with local industry experts and assistants, the faculty will be well-rounded and forward thinking.

GLOBAL PROGRAMMING

Now, more than ever, university classes around the world are offered in English. As English is further established as the global language, the value of an English-speaking employee is greater than ever. Language and diversity logistics will become both a strength and revenue source for FGU. Preparatory and pathway programs can be integrated into FGU operations, training students in English and STEM basics. Furthermore, specialty programs such as pharmacy and pre-med can be offered through FGU accelerator programs. There would be no mission conflict keeping FGU from integrating and monetizing these programs instead of outsourcing this business to for-profits.

THE REAL ESTATE SOLUTION

Though free from the traditional encumbrances that forbid global expansion, FGU will face several significant logistical barriers to entering a new geographical territory. Developing a *de novo* campus, capable of

replicating the American on-campus experience, will face the following obstacles: time, cost, and politics. Building a new campus can take many years of preparation and execution, vast capital projects, and local political wrangling to pave the way for a new educational institution. Aside from the challenge of obtaining the resources and investment for such an enterprise, real estate is not a core strength of an educational institution. As a result, a university is a suboptimal developer. In fact, many for-profit schools have not even considered undertaking a grand-scale campus due to the resources it would require. In their view, a new campus, even if it is comparable to those of small private colleges in the United States, would require hundreds of millions or even billions of dollars for construction of the infrastructure, grounds, and buildings.

As a solution, FGU will champion a new partnership model with developers of international real estate assets. These developers can offer turnkey campuses without capital projects, extensive timelines, or extended political hassles. This partnership will dramatically de-risk the project for the educational institution and improve the educational institution's expansion financial model for easy board approval. A perfect example is the offering by INTLCampus in Northern Spain. INTLCampus was able to consolidate an impressive package of newly-built properties, ranging from academic spaces to athletic and recreational facilities to student housing, all of which surround a beautiful park. The resulting 100-acre campus is ready to be activated and offers a complete real estate solution that is scalable to more than 5,000 students. Meanwhile, INTLCampus is able to offer such a package through a manageable long-term lease with a discount period allowing the university 5-10 years to reach the desired scale without undue financial pressures. Going beyond real estate, INTLCampus, as a promoter of educational institutions, paves the way with political incentives as well as broad support in local government and press. The resulting arrangement enables the educational institution to show profit on the new campus from Year One while having control over assets that would otherwise cost hundreds of millions of dollars and many years to construct. A truly synergistic partnership, this model is a financial home run with both the educational institution and the developer being incentivized through their respective competencies and business models.

FEEDER PROGRAMS

A large component and advantage of the new global model is the expansive and quickly expanding network of global recruiters, facilitators, and pathway companies. The American International Recruitment Council already certifies over fifty companies recruiting in just about every corner of the globe, with recruitment webs effectively covering Asia, the Middle East, and South America. The annual NAFSA conference in the United States hosts more than 100 international student marketing companies as presenters. FGU would tap into and leverage this massive global-marketing network allowing for tremendous ground-up growth.

Dominated by robust for-profits, the feeder network serves a clientele of mostly US, European, and Australian institutions. These are aggressive companies that know their markets and student bases. They are also companies that were built for partnerships—allowing universities to benefit from the recruiter’s local expertise around the globe. In the majority of the world’s educational institutions, the feeder companies are viewed as distant vendors; whereas, FGU would be structured to integrate and partner with these companies in more productive and effective ways.

FGU would tap directly into the global recruiter network as its marketing resource. This advantage effectively tramples over any barrier to entry as the marketing network is already in place and doesn’t need to be recreated. US for-profit companies were able to grow local enrollments at amazing speed simply through effective marketing. FGU would use the global marketing network that already markets American education to do the same on a global scale. The advantage is real and dramatic. Whereas on its own, the creation and global marketing of a new brand would be economically prohibitive, a recruiter and marketing agency framework can offer hyper-fast growth with manageable financial investment.

A WORD ON SCALE

Student body sizes at the top universities in the world vary significantly, ranging from more than 2,000 students at Caltech to nearly 30,000 at Harvard University. Thus, it would be difficult to have a rule of thumb correlating size to quality of education. Being 10 times larger than Caltech doesn't put Harvard at a great disadvantage. First Global University's mission is to redefine scalability within a university. The limits on the number and size of FGU campuses and their student body are not defined by any geographies or boundaries. The goal of the scalability model is to create an organization that is modular enough to support growth without becoming a mega-bureaucracy and organic enough to become smarter as it scales.



A NEW BREED OF PARTNERSHIP

I have used an analogy of FGU with the creation of the iPhone as an exercise of integration and packaging versus invention. The exciting aspect of FGU's viability is the broad existing market of student and university services, both for-profit and non-profit, that is already based on symbiotic partnerships, resource sharing, and student sharing. Because many of these partnerships are structured as per-student contracts, the investment behind scaling FGU's offering and ambitions is palatable from a risk-management perspective.

Which brings the discussion to the importance of FGU's offering being global from Day One of operations. In this regard, the aspect of accreditation becomes a critical one and one of the greater challenges facing FGU's creation. Whereas it is possible to build a brand fairly quickly through a combination of marketing strategies and marketing partnerships, building academic credibility from an accreditation perspective requires a different sort of partnership. FGU will need to form local and global partnerships with existing higher-education institutions which can aid it in obtaining accreditation.

Accreditation is highly political in just about every part of the globe, whether centralized (Bologna process) or fragmented (multiple accreditation bodies). However, in recent years, exciting innovation has taken place in bridging intercontinental accreditation. Functional global, higher-education accreditation partnership precedents now exist. To be more specific, Loyola University of Andalucia, through a partnership with Jesuit Universities in the United States, is now offering a dual degree program where after four years of study, a student graduates with both a US degree and a European one. In Asia, where American education has been marketed more aggressively, similar examples have functioned for a longer time. The marketability of such a degree program to the global student is undeniable and offers unparalleled access to the global job marketplace and global academic recognition.

PART 3:
CONCLUSION

A Foundation For Innovation

To create a comprehensive set of blueprints for the First Global University would require several thousand pages and an all-star team of seasoned professionals across multiple verticals in education administration and technology. This book is aimed at kicking off this process with a solid foundation of actionable building blocks. If written only a decade ago, this book would have fallen into the “futurist” section of literature and treated as a thought experiment. The last decade, however, has seen developments that have taken the global university concept from theoretical to practical. Activating FGU today gives us a window into the promise of tomorrow.

Tesla, the maker of electric automobiles, released its latest Model P85D a few weeks before the printing of this book. Aside from the impressive speed and advanced autonomous driving gadgetry of the vehicle, the new Tesla model has a modern advantage that truly sets it apart from all competition. The Tesla operating system is built to receive “over-the-air” updates. This means that as technology advances, the car can be upgraded instantaneously. In the case of this automobile, the company has included hardware that allows for nearly fully autonomous driving. Although the industry and the regulators have not come to final rules and protocol on autonomous driving, Tesla will be ready, at the push of a button, to activate the latest technologies in its cars. Those driving cars built by other makers will have to wait to see the latest technology until their next car purchase, which could be years away. Thus, Tesla took something that would require years, and was able to do it in seconds. Clearly, the difference between the two technologies is generational.

Similarly, innovations and solutions exist in education technology, administration, marketing, and distribution that are far in advance of what is offered and used by the higher-education establishment. For legacy institutions to implement these innovations will require many battles to be fought, with at least as many defeats as victories. Whereas, an institution built on a modern foundation, like the Tesla P85D, will be able to innovate and improve in real time. FGU stands to benefit from the following advantages:

- Without a local mission and a local legacy, the First Global University will be global by design.
- Unburdened by antiquated technology investments, FGU will be the Tesla of adaptive learning systems and content.
- Free from political gridlock, FGU will optimize education and experience based on student needs.
- Born into the modern world, FGU will focus on global concerns of employment and employability.
- Having learned from the world's most successful campus models and case studies, FGU will create the most satisfying student on-campus and off-campus experiences, which will be reflected in a truly global education brand.

SOLVING FOR GLOBAL

Occasionally, the devil is in the details. Other times, the big picture is what really counts. In the case of global education, whether Harvard or Oxford is more desirable is a detail. Whether international students prefer studying in urban or suburban campuses is a detail. Meanwhile, the big picture remains:

- Global expenditures on higher education are greater than \$2 billion.
- More than 4 million students leave their countries for higher education.
- American higher education is consistently ranked highest world-wide.
- Only 5% of the US higher education student body is international.

What does this mean? It means that American institutions are missing out on the majority of the global demand for premium higher education. As higher education is delocalized via technology and a highly mobile student body, there is no longer a reason for American education to be delivered solely on US soil. More efficient marketing and education delivery methods are available, but they require a restructuring of the institutions for global operations. The question remains: Can an existing American higher-education institution rebuild itself as a global network university, à la NYU, or is such restructuring an impossible game of Jenga?

FGU would be structured from its initialization for global student marketing and global education delivery, while benefiting from an American education brand. This would be done through:

- Strategic partnerships with existing American education institutions
- Access to academic programs and internships in the US
- American-style campuses and student experience

PERSONAL EDUCATION

There is beauty and value in the classic models of liberal arts higher education—benefits range from the historical and traditional to the romantic and creative. Unfortunately, while trying to preserve these models, countless opportunities for improvement and optimization are being squandered. Instead of locking higher education in a heavily gilded frame of protectionist measures, mainstream higher education can be better aligned with the current world and realities within it.

The higher education industry is in the process of trying to understand (and battle) the unbundling of higher education. Even after the unbundling, there will still be demand for classical liberal arts education, with both elite and specialized institutions to fulfill it. Doubtless, this demand will not reflect the majority of the higher education student population—which is a good thing, because many students’ ultimate motives and interests will not be in the liberal arts. Students should not be forced to spend years of their life fulfilling requirements established centuries ago. It is time to treat our students as adults and show them respect—students that decide their path are much more likely to be responsible and accountable for it.

This means that FGU will offer students a menu of academic and experiential options, both on-campus and off-campus. With an à la carte approach to higher education, a personal path that is optimized for each student becomes possible, based on the student’s interests, ambitions, the realities of their chosen professions, and their financial situation. This way, students can maximize their academics, while minimizing the cost. Conversely, students who look to maximize their comfort and amenities, are also enabled to do so.

‘CAREER’ IS NOT A DIRTY WORD

At many US college campuses, talk of “career” is rare, while talk of “leisure” is plentiful. The uncomfortable reality is that many students leave home for four years to study, but spend very little time doing so, squandering their formative years of academic and personal growth. Colleges are often complicit in the many non-academic distractions on campus, as are many academics who are alienated from the student body via misaligned career motives and incentives. Consequently, students leave college without the professional skills and habits required for success in finding employment and achieving career objectives.

Many of the extracurricular activities on US campuses add educational and personal growth value, as well as offer significant marketing value. The fun of college is a big part of the draw, as are the sports programs and campus living options. The college campus, as a safe haven for students to learn and be creative, is a very unique value proposition. Therefore, it is necessary to strike a correct balance, so that the campus is optimized for experience, academic preparation, and employment preparation.

FGU looks to strike this balance in combining challenging curricula with heavily integrated experiential programming. Faculty will be focused on challenging students academically and professionally as class curricula will spill over into out-of-class projects and internships. Students will interface with many more of their peers on- and off-line, creating new channels of communication, educational engagement, and professional development.

A global student is likely to be very focused on having access to the global labor market. To fulfill these student priorities, FGU will integrate career services and global career partnerships into its very core, offering unparalleled access to local, global, and online internship and career opportunities. Degrees will be structured in ways to give students advantages in the labor market, with international dual degrees and special corporate certifications available. Furthermore, on-campus internships will be integrated into curricula from the freshman year, so that students graduate FGU with dozens of completed projects under their belt, having assumed numerous roles and responsibilities.

PACKAGING INNOVATION

Despite being a transformative time for higher education, the last 15 years have seen significant resistance to true innovation across the variety of educational institutions providing secondary education. The majority of the not-for-profit university sector continues to chase the Ivy League, a strategy that is neither productive, nor realistic. Though these universities differ dramatically in size, location and resources, their structure is surprisingly similar, as is the student experience. Not only is it difficult for these universities to innovate, but straying from the fold is perceived as an unpalatably risky strategy. One can blame these universities only so much, as they were created in a different time and are not structured for agility.

Meanwhile, the quickly growing for-profit sector has been too busy chasing government dollars to truly focus on innovating on the academic and experiential offering. Resources have been directed significantly into the marketing departments to capture the population that is underserved by the not-for-profits. The majority of the for-profit sector has not challenged the premium higher education providers, deciding to compete more on price than on quality of academics. As a result of this lack of academic competition, innovation was slowed.

Despite the sub-optimally fertile environment, new technologies have pushed the boundaries of higher education and continue to rewrite the rules of its delivery. Simultaneously, along the periphery of both the for-profit and not-for-profit industries, new academic models, faculty models, and educational business models are challenging the status quo and introducing innovation. FGU looks to capitalize on these trends and innovations by incorporating the latest and greatest into its foundation. By integrating adaptive learning technologies, FGU will be ready to provide truly personalized learning paths as soon as effective modular content becomes available. FGU will embrace an evolving curriculum where content is dynamic and continually competes, accruing value. Leaving tenure behind, FGU will be more nimble with a lighter faculty model that incorporates academics, industry professionals, tutors, and project managers. By focusing on student needs and effective solutions, FGU will see significant productivity and profitability advantages.

SCALE VIA PARTNERSHIPS

The most exciting thing about the FGU puzzle is the search for the puzzle pieces. They are scattered throughout the world, hiding in various education institutions, technology companies, global corporations and marketing agencies – but, most importantly, they exist.

Creating FGU does not mean starting from scratch. Smart partnerships can give FGU the ability to establish itself and find scale through sensible financial backing. Investment funds would be used primarily for activation, as opposed to invention. The key components for a well-rounded offering would come from a variety of institutions:

- Technology vendors
- Global education marketing agencies
- US universities
- Non-US universities
- Online work platforms (oDesk, etc.)
- Real estate developers
- Sports and cultural institutions
- Social networks

To reach its objective, FGU will be a foundation for global education and partnerships. Even Apple relies on dozens of partners and producers—its biggest competitors are also some of its biggest suppliers (e.g. Samsung).

FGU is more than an idea. FGU is more than a concept. FGU is the activation of existing potential to create a global leader of the 21st century's higher education.

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