

The 2018 university

Talking Points

Making the right choices,
making it happen

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Introduction

Higher education is facing a future that is both more challenging than at any point in the last century but also presents more opportunities for innovative organisations than ever before.

The very nature of higher education, how it is delivered and the role of universities in society and the economy is going to change significantly in the next decade. This change will be driven by a combination of competitive, demographic and regulatory forces that are only now starting to emerge. After a decade of expansion in terms of student numbers and campus investment such a stark view may seem extreme. However the sector is entering a period of real uncertainty and many organisations are not yet ready to exploit the opportunities or protect themselves from the forces of change.

Not everyone will win in this new environment and the way in which some institutions actually deliver education and research in the future will have to change radically.

Universities have a stark decision – make the right choice, embrace the new opportunities and succeed or make the wrong choice and get left behind.

Why do we have to make a choice?

The tipping point for higher education

History has shown that as industries become more competitive and organisations are exposed to market forces and disruptors, weaker slower moving participants inevitably suffer and fail. In comparison, innovators who have a clear and well executed strategy rapidly take market share. Given continued public sector spending restraints we do not believe that regulators will offer the same safety net that they may have once provided and further political risks to funding exist in this pre and post-election environment. This tipping point demonstrates why universities must make proactive choices now about their future strategy and understand how to implement it into how they operate.

This means that in teaching and learning, the era of universities providing 3 year degrees with little differentiation in experience or pricing will come to an end. The institutions that take informed risks with their programme design and target their investments to their strengths and the market demand will be successful and rise through the rankings.

In addition, competition for research funding will intensify as institutions focus their efforts on being world class in a smaller number of domains and research capital is increasingly competed globally. Universities who seek success in attracting funding and talent will need to be adept at creating mutual value propositions with a diverse partnership network consisting of global and local academic and corporate institutions.

Rather than being standalone academic institutions, universities will also need to become ever more integrated into the economy, with real commercial awareness and relationship management capability, in order to thrive.

What are the challenges to making the right choices?

There are four main challenges that Higher Education Institutions (HEIs) must consider before they can make the right strategic choice:

1. Marketisation will not be reversed and will accelerate: demand will shift away from institutions that are not ready to respond

- Even if tuition fees are reduced post-election, the increased expectations of students requires a clear outcome for their investment. Our research shows they will choose the institution that can demonstrate this return on investment
- The removal of the cap on numbers will further increase competition, as we have seen recently with the extension of unconditional offers and financial incentives
- The national and international expansion of physical presence breaks through the traditional brand perception of an institution
- Universities face ever increasing competition for international students

2. The continued emergence of substitutes will start to materially impact demand for traditional degrees

- Higher Apprenticeships will continue to grow as an alternative route to HE for young people - 67.6 percent growth between 2011 and 2013, with the Government alone funding 20,000 places. However this also creates new provision opportunities for HEIs
- The declared intentions of all the main UK political parties is to further expand the numbers able to enter into apprenticeships
- A survey by UKTI and the Economist Intelligence Unit at the end of 2014 found entrepreneurship is now the top career choice of 18-25 year olds. Emergent efforts by HEIs to create incubation units and build programmes around these could be enhanced

3. Digital will disrupt every part of the institution

- Blended learning will become the norm with a significant increase in on line and distance learning
- Digital will be used to increase contact time and meet new regulatory expectations
- Students will be empowered to manage their own experience from initial contact onwards in line with their expectations
- Digital will facilitate co-creation of programmes and research through social media and other digital interactions

4. Universities will be expected to play an active role in building economic strength

- HEFCE, as part of the Research Excellence Framework (REF) exercise, now measures “impact” which looks at the impact of the research on “the economy, society, public policy, culture and quality of life”
- Initiatives such as “The Northern Powerhouse” will drive universities to build partnerships and link with businesses to make a meaningful impact on their local economy
- Businesses will increasingly look to institutions to work with them to continue to innovate in a globally competitive and knowledge intensive environment
- National research priorities will shape university investments and focus areas e.g. through Centres for Doctoral Training

The 2018 university - business model evolution

Stratification will happen

The bottom line is doing nothing to cope with these challenges is not an option.

We believe that in the future there will be much greater stratification in the HE market. In order to be successful in this new environment, universities will need to make choices about the most appropriate business model to deliver their strategic goals. It is not a viable option to adopt a “me too” or “jack of all trades” model. Traditional business models will need to be integrated with a number of new and emerging business models that present opportunities to enhance the traditional model and address the challenges identified previously.

The existing choice about the balance between research and teaching will remain but it will be necessary to clearly identify what you are or will be famous for. These choices need to be based on the strengths of the organisation, the opportunities available to it and its realistic ambitions to pursue them.

New business models

This diagram shows the choices that are emerging, combining a traditional model on the left with an emerging model on the right.

Traditional business models



Broad research

Organisations with sufficient scale and brand to enable them to compete internationally with the world best across a wide range of research topics



Niche world class research

Organisations that are world class in research for a small number of niche areas. This becomes the focus of the organisation and shapes the brand



Teaching focused

Organisations have decided to focus on teaching. Their brand is recognised as centre of excellence for education

Emerging business models



Digital leader

Organisations will use digital to differentiate their offering. It could be because they offer a mixed F2F and distance learning offer. It might be because the digital interface with students is exceptional.
Eg. Deakin University – Australia



Innovator

Focused on innovation. These organisations will be genuine innovators, incubating and co-creating new ideas. They will be embedded within the national supply chain.
Eg. AALTO University – Finland



Corporate

In this model the primary driver of activity is not the university but the corporate entity. Relationships could be through a JV or another partnership model.
Eg. Warwick Manufacturing Group partnership with Jaguar Land Rover



Business Model Choice



How do we decide what is the right business model for us?

Good at writing plans – poor at execution

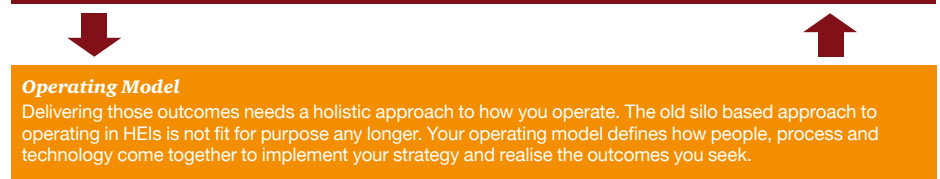
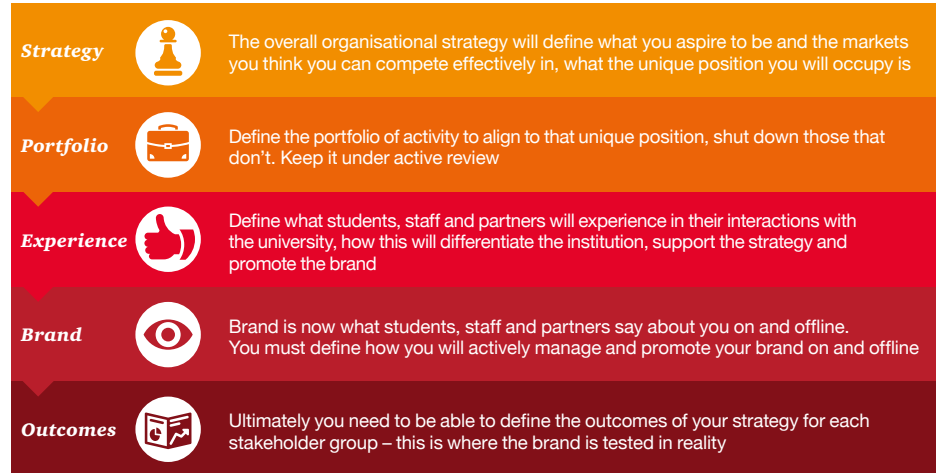
Making it happen with the right business and operating model

Too often we see a university publish smart strategy documents which describe its business model but then fails to fully integrate this into how it operates, into the decisions it takes on its portfolio and how it creates the customer experience for its students and partners. This means that the strategy doesn't define the university's brand or the outcomes sought by its stakeholders. A university must translate its strategy plan into a robust operating model that defines how its capabilities are organised to make its strategy happen and then manage the change required.

It has to do this in a coordinated joined up way not a series of unconnected and siloed initiatives

The higher education business model shown here simplifies the process of the business model choice and defines how it is implemented into the operations model in a sustainable way.

Defining the Business Model



Defining the Operating Model



Making the right choices - are you ready?

We believe there are four priority choices for universities to consider when implementing business models into their operations. These core requirements are irrespective of the current circumstances of an HEI. Where are you against these criteria?

1. Making the right choices about your academic delivery

- a. Schools and faculties are brought together to align research and teaching priorities. Don't let history and inertia get in the way of creating smart organisational synergies
- b. Ensure strong academic leadership be brought to bear on delivery – bring clarity to the role of academic leader, select for it and reward it appropriately
- c. Share relationships across the university and manage them through single points of coordination to form mutually beneficial partnerships
- d. Utilise digital technologies to increase reach, enrich face to face interaction and improve teaching and research effectiveness

2. Making the right choices about your strategy

- a. Create the capability to make intelligent, data driven and predictive decisions about strategy
- b. Have integrated planning processes that make accountability clear, require robust business plans and are informed by intelligent data that makes predictive decisions and modelling possible
- c. Planning needs to be both proactive and reactive to the market and be regularly sensing what is happening and gaming the potential responses
- d. This may require a transformation of the university's approach to data and the underlying technology that supports it

3. Making the right choices about your support services

- a. Professional services needs to be implemented efficiently and effectively to enable academics to focus on doing what they do best
- b. In a competitive market, professional services must be considered as core capabilities and brought into line with the best practice in the private sector
- c. Efficient delivery models such as shared services, including between institutions should be considered
- d. Leverage technology such as digital and social media to increase effectiveness, for instance in the student journey
- e. Professional management of support services needs to be able to free up academics from day to day management of these activities while maintaining strong partnerships that enable them to run their schools and faculties with fit for purpose support

4. Making the right choices about your organisational culture

- a. Ensure there's an organisational culture that is attuned to the fact that the world has changed, that taking months or years to make decisions is no longer an option and that change is now a constant
- b. Introduce more individual accountability
- c. Ensure stronger performance management
- d. Improve in house capability to manage change effectively

Obviously the starting point for an institution will be a key factor in determining their business model choice and their overall response as well as their priorities for change and/or improvement. A Russell Group response will be very different to a challenger institution seeking to break into the Top 25 UK universities.

However, while the traditional business models are not going away, they will need to be augmented with the new emerging business models that take advantage of opportunities being created in the global economy.

As in many other globally competitive industries it will be those institutions that are smart about their strategic choices, agile in adapting to change and relentless in their execution against that strategy that will thrive.

Are you ready to be one of those who makes it happen and succeeds? Or will you become one of the “also rans”? Now is the moment to make the right choice.

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