TIAA Institute

Between collaboration and merger

Expanding alliance strategies in higher education

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

The TIAA Institute commissioned this paper to help higher education leaders forge alliances to enhance their institutions' long-term competitiveness and financial sustainability.

Michael Thomas, president of the New England Board of Higher Education, argues for a deliberate and strategic approach to alliances, one that goes beyond the valuable but "mature" innovation of consortia, but is more flexible and multilateral than complicated, two-institution mergers. That process begins with a thorough look inward:

rigorous institutional self-appraisal = identification of weaknesses

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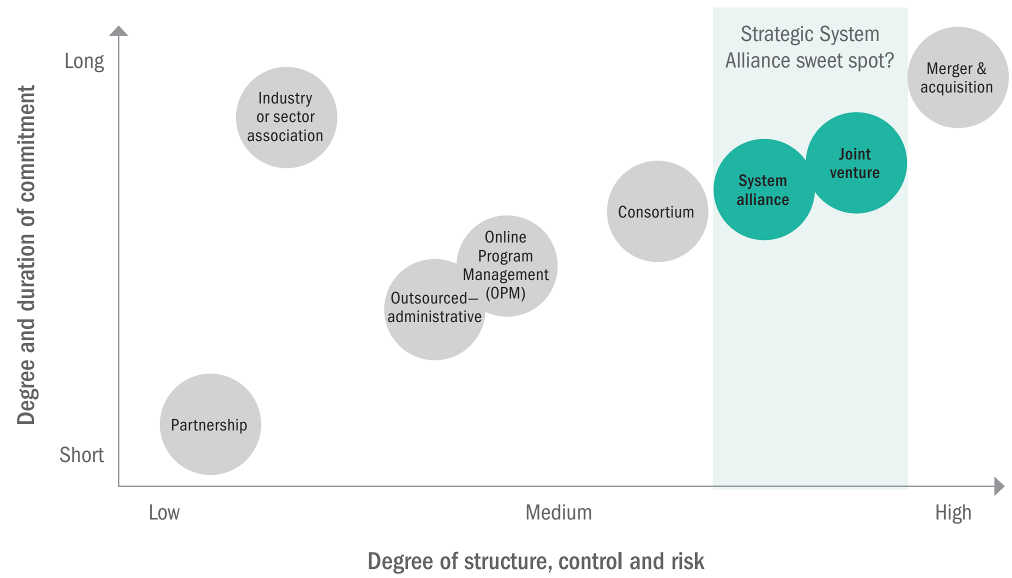
weaknesses = **opportunities to explore alliances**

Sweet spot for alliances

Thomas identifies a sweet spot along the spectrum of possible alliances, which ranges from short-term partnerships to long-term mergers. The shaded area in the figure below shows the sweet spot where multi-institutional alliances and joint ventures allow institutions to realize the full benefits of mergers while avoiding some of their downsides.

Mapping the higher education alliance landscape: Sweet spot for strategic system alliances?



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

An essential ingredient of competition-altering strategic alliances is the creation of shared utilities: joint platforms and capabilities that enable sustainability-challenged institutions to achieve economies of scale and scope that they cannot achieve alone.

Achieving economies of scale and scope

Economies of scale and scope critical to improved competitiveness and sustainability can be realized through strategically-selected multilateral, complementary or supplementary alliances.

A complementary alliance supports sharing of different assets and resources, giving partners skills or expertise they otherwise lack. Complementary alliances help achieve economies of scope, in which efficiencies are achieved through variety and diversification, rather than volume. Example: Several institutions coming together to allow cross-registration among programs that not all of them offer, but in which some of them excel.

A supplementary alliance, on the other hand, supports sharing of similar assets, resources, skills and expertise. Supplementary alliances help achieve economies of scale—supporting cost reductions, consolidations, and improved efficiencies. Example: A shared online learning platform supported by a jointly hired instructional design team.

Alliance design principles

Key design principles to support success call for developing alliances that:

- Are multilateral, involving multiple compatible institutions with shared needs and strategic objectives
- Are not bound primarily by geography—and which might possibly increase the geographic reach of partners
- Achieve notable cost savings, efficiencies, economies (of scale and scope), and integrations, through complementary and/or supplementary fits among partners
- Provide substantial new expertise and capacity in critical staff, talent and functional areas
- Drive program-specific and overall enrollment growth and increased revenues
- Enable substantial business model changes, both academic and administrative
- Provide alliance continuity and substantive decision authority via jointly owned and governed alliance entities that complement individual boards
- Provide flexibility and growth to their members while reducing exit costs and barriers
- Improve the competitive positioning and strength of participating institutions, individually and collectively

Read more

Thomas' paper includes insightful commentary provided from a practitioner's point of view by Kent John Chabotar, president emeritus of Guilford College and former vice president for finance and administration and treasurer at Bowdoin College.

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