

Globalisation and technological developments are changing the business of business schools and presenting new opportunities to innovate says **Kai Peters**

# Business schools face the future





*Business school leaders are being forced to reflect on the long-term sustainability of their current business models and focus on refreshing future models*

# 30%

Unicon, a consortium of schools involved in executive education, reported that on average, revenues generated by executive education shrank by 30% in 2009 compared to 2008

A plethora of challenges are impacting globally on the management education market, including the continuing evolution of online possibilities, the emergence of new providers, the role of for-profits, changes to public funding, a turbulent economy and cost pressures in the competitive environment.

Business school leaders are being forced to reflect on the long-term sustainability of their current business models and focus on refreshing future models. Some of the strategic options that are emerging include part-time and online education, altering the teaching/research focus, and developing the type and portfolio of services.

Throughout Europe a range of business models already exist, largely because of a rich diversity of economic and educational cultures. However, economic uncertainty is testing almost all business school models as is evident through a range of mergers, of sales of schools to private equity providers and the disappearance in a variety of schools of what was once considered core – the MBA.

Even when it is well established, executive education is even more unpredictable. Revenues can alter significantly within a matter of months when the economy lurches. Unicon, a consortium of schools involved in executive education, reported that on average, revenues generated by executive education shrank by 30% in 2009 compared to 2008. Revenues are only returning now to pre-recession levels.

Questions around the sustainability of current business school business models are already being raised, in particular the viability of research-intensive institutions, faculty costs and teaching loads, and the need to either raise tuition fees or increase scale by filling classes with larger numbers of students (EFMD *Global Focus*, Vol 5, 02, 2011).

However, business school deans can diversify and embrace innovation within their own businesses through collaborations with organisations with complementary approaches to achieve a more sustainable business model in changing times.



*Whereas some of the online providers have delivered at the value end of the spectrum, many are now powering the online MBAs and other degree programmes of traditional providers*

### For-profits

Across the business school landscape, for-profits are either establishing themselves as alternative providers or are forming alliances with existing business schools. The levels of marketing spend by for-profits are eye-watering compared to traditional providers. It is not uncommon to hear of marketing budgets that are one-third of turnover, call centres employing hundreds of people and networks that involve up to a thousand agents.

At the online end of private provision, an interesting white label business is emerging. Whereas some of the online providers have delivered at the value end of the spectrum, many are now powering the online MBAs and other degree programmes of traditional providers.

Another variant is visible at Pearson, which is home to businesses including the *Financial Times*. Pearson purchased Embanet, which specialised in the white labelling of online provision at the end of 2012. At the other end of the spectrum, Pearson entered the world of face-to-face provision in the UK to provide undergraduate business degrees alongside business schools.

One of the more controversial is Thunderbird's alliance with Laureate Education, which is propelling Thunderbird into the undergraduate education market and seeking to set up additional campuses around the world. In many ways, this alliance highlights a whole range of issues – independence without resources versus dependence but with resources, charitable structures versus profit motives, high quality but with limited reach versus significant reach but fears over the potential reduction in quality.

### Virtualisation

Business schools are in the business of recruiting, teaching, testing, awarding degrees and conducting research. But some providers are now clearly questioning how many of these resources need to be "owned" by the school.

As with the white label provision of on-line programmes, schools are seeking marketing arrangements with the likes of Study Group and similar companies to recruit students for their programmes. Other schools are working with validating partners when they do not have their own degree-awarding partners. Other schools still work on the basis of a fully virtual faculty model that takes advantage of the relative freedom and of the lenient contracts that many faculty members have at their own institutions.

Examples here range from smaller MBA programmes that employ flying faculty through to larger competitors such as Duke Corporate Education and Hult International Business School. This trend is certain to continue.





### Knowledge companies

Business schools and knowledge-based management consultancies such as PwC, McKinsey and Deloitte increasingly overlap. Just as consulting firms are venturing into the executive education arena, some business schools are delivering services traditionally offered by large consultancies – such as organisational change management consulting, development of coaching skills and strategy development.

Both consultancies and business schools are knowledge creating organisations that develop and apply intellectual capital to give value to clients and provide them with solutions.

There are already many examples of knowledge companies and higher-education institutions collaborating on programmes such as professional degrees, short courses and research reports. Whilst some business schools will continue to adhere to a more traditional model of management education, change is afoot. There are likely to be more partnerships and intersections with consultancies.



*Both consultancies and business schools are knowledge creating organisations that develop and apply intellectual capital to give value to clients and provide them with solutions*

### Financial challenges

Although not all business schools are facing financial challenges, fault lines are visible. Traditional sources of income are less stable. Most public business schools around the world receive some form of direct and/or indirect government support to complement income from tuition, while private business schools rely chiefly on revenues from programme fees.

But government funding will not continue to expand educational budgets for ever. Examples to the contrary are already evident in many countries – with, for example, the UK now announcing limits on Student Loan Company largesse.

At the same time, student tuition fees cannot go on rising forever. Many MBA programme fees are likely to have reached levels that are not sustainable and raise a real question of value and fairness. Income from executive education can be substantial, but is not in the reach of all schools.

Although some traditional models of business education will no doubt continue, significant changes are taking place and more hybrids are emerging as business schools seek to maintain their long-term competitive position by widening their outreach.



## ASHRIDGE EXPANDING INTO ADJACENT MARKETS

Through partnerships with other education providers Ashridge Business School is extending its portfolio of programmes and providing a wider range of services in the education market.

Ashridge and Pearson College, part of the multinational publishing and education company Pearson Group, have formed a new partnership. Pearson College, established in 2012, is the first FTSE 100 company to deliver degrees in the UK.

The initial suite of joint undergraduate business degrees, the first step in the partnership, will run in 2014. The programmes will be delivered by Pearson College, validated by Ashridge, and jointly designed along with a network of other industry partners. It also means that for the first time Ashridge will bring its expertise and experience of the corporate world to undergraduate students.

The business degree will include regular lectures and seminars in London, work experience both within Pearson and other companies, residential stays on the Ashridge campus and an executive education module specially designed for final-year honours students.

Currently, Ashridge is chiefly known for its offerings in executive education, open programmes and its graduate degree programmes. Such new innovative partnerships have clear benefits. Undergraduate degrees offer business schools a predictable income over several years via course fee payments, in contrast to executive programmes, where the income is largely unpredictable from year to year.



*The partnership with Pearson College means that for the first time Ashridge will bring its expertise and experience of the corporate world to undergraduate students*



Although 70% of Ashridge's annual income currently comes from executive programmes, in the future the aim is to earn 50% of revenues from longer programmes that can be taught at scale.

Ashridge has also partnered with Lorange Institute of Business in Zurich, Switzerland. Students who complete Lorange's Executive Masters in Business Administration (EMBA) and Executive Master of Science in Management (MSc) will receive a dual degree, with certificates from both organisations. This is enabling Lorange to award degree qualifications that are recognised throughout the European Union and internationally.

Ashridge secured degree-awarding powers in 2008, and the recently formed Academic Accreditation service provides a route for select organisations without their own UK degree-awarding powers to offer Ashridge-accredited degree-level qualifications in business and management.

Accreditation and degree validation is a well-established but occasionally controversial model of educational collaboration. For what it is worth, there are more students studying for UK degrees outside of the UK than in the UK. At Ashridge, we are not seeking to pursue the existing model of accreditation. We are seeking to establish partnerships where we can work on a multi-activity model including research, executive education, and faculty and student visits and exchanges with partners.

# 70%

70% of Ashridge's annual income currently comes from executive programmes...

# 50%

...in the future the aim is to earn 50% of revenues from longer programmes that can be taught at scale





*The development of partnerships with non-UK institutions is part of Ashridge's long-term vision to widen its international impact in new and existing markets*

The development of partnerships with non-UK institutions is part of Ashridge's long-term vision to widen its international impact in new and existing markets, and supports its strategy to increase the number of degrees awarded.

Such collaborations are widening Ashridge's global footprint and creating new opportunities to increase brand awareness. There are wide-ranging changes, with education and publishing collaborating and colliding and lines of jurisdiction blurred.

New partnerships, for example with Pearson, which is pushing into digital learning, education services and emerging markets, improve the marketing capacity of business schools and help develop economies of scale over time.

Ashridge is home to Virtual Ashridge, an online learning platform that provides content including text, videos, webinars and audio books and supports the learning of over a million managers globally. Ashridge also runs an eMiM degree programme (Masters in Management), which can be delivered virtually, but is proving to be a brilliant bedrock for customised blended qualifications within large organisations.

The value chain is in flux because of new challenges and opportunities. Ashridge is developing organisations and managers across the world through partnerships validation services, qualifications, accreditation services, online education, development programmes, consultancy and research. Partnerships, such as those with Pearson, offer new opportunities to harness the marketing clout of corporations, build brand awareness by reaching audiences across the globe, and refresh how Ashridge creates, delivers and captures value for a more sustainable future.

gf

---

**ABOUT THE AUTHOR**

*Kai Peters is Chief Executive of Ashridge, a business school in Berkhamsted, UK.*

---