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POINT OF VIEW

Franchising Higher Education

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What do you do if you are in Taipei, have one hour to spare before leaving for the airport, and want a cup of coffee that's guaranteed to be excellent? If you are like us (and apparently many Taiwanese), you head for the nearest Starbucks. Why? Because every Starbucks — whether in Taipei, Pensacola, or London — provides a high-quality product, served by staff members who are held to high standards of performance.

We sat in the Starbucks we found in Taipei, enjoying our coffee and a conversation with a faculty member from the National Kinmen Institute of Technology, an institution we had visited, along with Tamkang University, during our stay. Sip. Both of those universities are international partners of our institution, the University of West Florida. Sip.

And both offer many courses taught in English (indeed, Tamkang's newest campus will teach nearly all of its courses in English) by faculty members educated at some of the best universities in the world — including courses taught jointly with universities (such as ours) located around the world. Sip. The courses appear every bit as good as those we have seen at any other university, and some are excellent examples of distance education. Sip.

High quality, anytime, anywhere. Sip. Like Starbucks, in a way, except perhaps that coffee isn't available anytime. Sip. And to think that although the price of a cup of coffee is much the same anywhere in the world, foreign institutions pay their faculty members far less than U.S. institutions do — gulp!

That's when the real specter of global higher education appeared before us. Despite the hot coffee, chills went down our spines. Here's why. All across the United States, colleges and universities are struggling to keep costs under control. Tuition at both private and public institutions continues to outpace inflation, raising concerns from boardrooms to living rooms. Need-based financial aid has not kept pace, and government officials at all levels insist that something needs to be done before college becomes inaccessible to lower-income students.

Academics around the country have risen to the challenge and written numerous reports, given hundreds of presentations, and promised to do all we can to increase efficiency and control costs. We have provided data to legislators and governing boards for benchmarking studies of costs by degree.

We have offered many innovative solutions, including redesigning courses to increase faculty productivity and reducing costs by sending grades electronically, which have saved millions of dollars for the public and private institutions that have adopted them. The Lumina Foundation for Education recently published a collection of those ideas, *Course Corrections*, which is also available online (<http://www.collegecosts.info>).

But the pressure to lower costs is growing. In some states, such as Florida, that trend has begun to pit community colleges, with their typically lower costs, against universities. Increasingly, parents and students

are asking whether they are getting a good return on their investment of tens (if not hundreds) of thousands of dollars. Both legislators and the public are demanding that colleges and universities operate more like businesses, reminding us that every other sector of the economy has had to deal with controlling costs and the realities of the global economy. Witness the drastic decline in jobs in the sectors of manufacturing and support services, they say.

And that's what chilled us in the Taipei Starbucks. American higher education may be forced to face the same reality of global competition that American businesses have already met. Interestingly, although that reality is taught in every business school in America, few college and university leaders have discussed it. As a result, the most serious challenge to American postsecondary education might be coming soon to a university near you, if it is pushed to leverage its ties to foreign institutions.

Consider the following scenario: Great State University is under considerable pressure from the legislature to scale back its escalating tuition and fees. GSU officials point out that the legislature has reduced its support for GSU by an average of 1.5 percent per year for the past two decades. The officials argue that they cannot provide high-quality education on the cheap, and that citizens of the state deserve the best. GSU's only option is to charge more.

Legislators, however, take note of the public outcry over the rising cost of college and decide to freeze tuition at current levels for the foreseeable future. Furthermore, they mandate that GSU must open its doors to thousands of additional students to meet the state's needs for a better educated work force. The university must serve those new students with no significant additional facilities or funds.

What does GSU do? Exactly what it has been told to do: Act like a business. Combining the best practices of the corporate world, GSU creates a franchise — or, following the Starbucks model, a branch campus that it owns and operates — in another country. It chooses that country based on the optimal combination of high-quality faculty members (based on their credentials) and low faculty compensation.

American universities have long used relationships with foreign institutions to provide traditional instruction for students abroad. But now GSU also has foreign faculty members create and deliver online courses for it around the world, with students registering through GSU's American campus. GSU has thus effectively and substantially lowered its costs for producing and delivering courses, and it can probably make money on the new courses if it markets them aggressively to students not already affiliated with it.

Far-fetched? Hardly. It's what businesses have been doing for years. And it's what colleges and universities that have had international locations for decades may consider if pressures to lower costs — many of which have now been cut close to the bone — continue. Remember that many faculty members at our international partner institutions have doctoral degrees from the top universities in the world. Had they not returned to their home countries, we might have hired them on our own campuses, and many of them do teach in our study-abroad programs.

Just like Starbucks, colleges and universities could ensure that the quality of their products (courses and degree programs) meet the same high standards that they do on the main American campuses, no matter where they are created. But with branch campuses somewhere in the world where costs are substantially lower, the high-quality products would cost much less.

That potential franchising of postsecondary education is the greatest threat we face. It is the logical outcome of the relentless push to lower costs in a sector in which labor is the single biggest cost driver. And it is extremely dangerous because, although it begins with a few adjunct faculty members teaching a few online courses, it can easily slide down the slippery slope to the replacement of full-time faculty members and entire programs.

Eventually, even if students register for new courses through American campuses, which do their best to ensure quality using a "made in America" brand, it will be almost impossible to keep the courses and programs from becoming identified with the countries where they originate. Consumers here and abroad will become confused about what is really American higher education. In the long run, quality may decline, the American brand may become blurred, and we may lose our competitive advantage as the pre-eminent educational system in the world.

Is postsecondary franchising inevitable? Maybe not. But are you certain you know where your most recent medical images were read? Have another cappuccino while you think about it.

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