SPECIAL FEATURE ON COMMODITIZATION AND COMPETITION

FRIDAY, JUNE 14, 2013

The evoLLLution
ILLUMINATING THE LIFELONG LEARNING MOVEMENT

Small Institutions Best Positioned to Succeed in the Commoditized Marketplace

By Richard DeMillo
Director of the Center for 21st Century Universities,
Georgia Institute of Technology

The following interview is with Richard DeMillo, director of the Center for 21st Century Universities at Georgia Tech University and distinguished professor in the College of Computing. DeMillo is a leading thinker when it comes to the future of higher education and how changes today will impact and influence institutions tomorrow. In his last interview, DeMillo explained how small institutions could thrive in the future. In this interview, DeMillo expands on those ideas and discuss how small institutions must adapt to succeed in the commoditized higher education marketplace.

PHOTO BY HUGO FELIX

Smaller colleges are well-positioned to succeed in the commoditized higher education marketplace, but they must focus on using new technologies to help them achieve their value proposition rather than following the lead of larger institutions.

1. Why are so many observers worried about the commoditization of the higher education space?

Well, I think a lot of people have seen what happened in the past when value's been driven out of their businesses. There's this great story in Tom Friedman's "The World is Flat" about what happened to the Wall Street analysts. There used to be a whole industry that would read the news for Wall Street and essentially just quote it back verbatim and charge a lot of money for it. And once all that information became available on the Internet, you saw small businesses pop up in places like India that would do it at a fraction of the cost. So, the moral of the story is that when information is commoditized, you have to have figure out a way to add value.

And it's pretty clear that there are a lot of institutions that are thinking pretty hard about what that means for their value proposition right now.

2. How will the commoditization of the higher education marketplace impact smaller institutions?

Well, I think small institutions are in the best position to succeed if they're smart about their strategy. The whole game has now shifted to demonstrating your value proposition. If you're going to charge money for a degree or for a residential program, you have to figure out what is it in that package that people are willing to pay money for.

Bigger institutions carry a lot of overhead. They carry a lot of baggage that actually gets built into tuition.

Smaller institutions, if they focus

CONTINUED ON NEXT PAGE

Article originally posted on The EvoLLLution at http://www.evolllution.com/institutional_operations/audio-small-institutions-positioned-succeed-commoditized-marketplace/

Small Institutions Best Positioned to Succeed in the Commoditized Marketplace

CONTINUED FROM LAST PAGE

on what they're good at and figure out a way of using assets that maybe were hidden before; we can call it commoditized assets — online courses, public open materials, course work materials — they can fundamentally restructure their business model and offer increased value to students at a fraction of the cost. And that's really, I think, where the small institutions can shine.

You can't be a "Me Too Institution" and succeed. And it's the smaller places — it's the smaller liberal arts colleges, smaller technologically-oriented colleges — that are most able to change directions.

3. Do you think that smaller institutions can maintain "business as usual" going forward in the commoditized higher education marketplace or are those changes necessary in order to succeed?

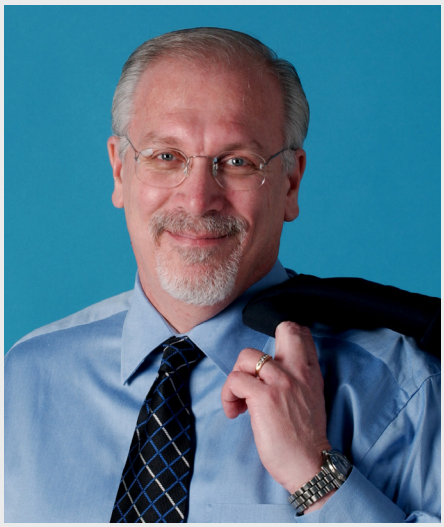
Well, 'business as usual' is not going to work for anyone, I don't think, whether it's a big institution or a smaller institution.

That's why you see the big research institutions frantically going after things like MOOCs [Massive Open Online Courses] because they know that their business model has to change. The way I think about it is, is that you can't be a "Me Too Institution" and succeed. And it's the smaller places — it's the smaller liberal arts colleges, smaller technologically-oriented colleges — that are most able to change directions. I'm not talking about changing directions 180 degrees, but shifting slightly to making use of online assets, putting more resources into new modes of instruction or new programs that are highly tailored to localities.

Those are the kinds of things that I think are going to draw students in the future. It's just absolutely clear to me that students are not going to continue to pay for value unless they see that value somehow show up in their degrees.

4. Is there anything you'd like to add about the strategies that smaller institutions must put into place in order to succeed in a commoditized marketplace?

Nothing beyond the fact that this is a conversation that's taking place around the world. Every place I go, every place I visit, trustees, presidents, parents of prospective students are having the exact same conversation. I see reason for being optimistic. I see a lot of institutions changing their focus and focusing more on value.



AUTHOR PROFILE

Current Position and Past Experience

Since 2002, Richard DeMillo has been a Distinguished Professor of Computer Science and Management at Georgia Tech. He also serves as the Director of the University's Center for 21st Century Universities.

From 2002-2009, DeMillo served as the Dean of the Georgia Tech College of Computing.

Prior to joining Georgia Tech, DeMillo served on the Board of Directors of RSA Security, and as the Chief Technology Officer and Vice President of Hewlett-Packagrd. He also spent six years as the General Manager and Vice President of Bell Communications and Research.

From 1987-1995, DeMillo served as a Professor and Director of the Software Engineering Research Center at Purdue University.

Education, Honors and Achievements

DeMillo earned his BA in Mathematics from the University of Saint Thomas in 1969, and his PhD from Georgia Tech in 1972.

Article originally posted on The EvoLLLution at http://www.evolllution.com/institutional_operations/audio-small-institutions-positioned-succeed-commoditized-marketplace/