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 discusses how small institutions must adapt to succeed in the commoditized higher education marketplace.

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 on using new technologies to help them achieve their value proposition rather than following the lead of larger institutions.

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Small Institutions Best Positioned to Succeed in the Commoditized Marketplace

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. 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 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.

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.