"University of the future"

Ernst & Young Presentation
Australian Association of College and Housing Officers

11 April 2013
Introduction

- Context – short term issues versus long term trends
- “University of the Future” – Ernst & Young study
  - Overview of study
  - Key findings
- Potential implications
  - for the University (and TAFE) Sector
  - for Students
  - for policy makers
- Discussion, comment and questions
Context – the short term issues

*Impact of the* Bradley Review Implementation

- Significant increase in competition for domestic students
- Significant increase in marketing
- Fees - “Caps on” versus “Caps off” debate
- Drop in international students - $A too high??
- EBA negotiations – extracting marginal changes
- Cost reduction programs in many universities
- Dealing with the new TEQSA
Universities of the Future
The Ernst & Young Whitepaper

► Ernst & Young issued its Whitepaper on the long-term future of universities and the evolution of university business models - November 2012

► Interviews attracted much interest - a topic clearly exercising the mind of university leaders - 15 VCs contributed plus other sector leaders

► A common refrain: traditional university business models must change.

► Driving the Changes - new technologies Massively Open Online Courses (MOOCs), global competition, changed student learning styles and expectations, etc

► EY developed three potential ‘future models’ as a basis of discussion:
  ► Streamlined Status quo
  ► Niche Dominators
  ► Transformers

► They are NOT mutually exclusive or exhaustive - but useful to explore potential responses by universities to the fast-changing environment
Drivers of Change

Five mega-trends will transform the Higher Education sector

- **Democratisation of knowledge and access**
  - Ubiquitous content
  - Broadening of access to higher education
  - Increased participation in emerging markets

- **Contestability of markets and funding**
  - Fiercely competitive domestic and international student markets
  - Challenges to government funding
  - Competing for new sources of funds

- **Digital technologies**
  - Bringing the university to the device – MOOCs and the rise of online learning
  - Bringing the device to the university – the use of digital technologies in campus-based learning
  - Blended learning

- **Global mobility**
  - Emerging markets becoming global-scale competitors in the international student market
  - Academic talent increasingly sourced from emerging markets
  - Emergence of elite, truly global university brands

- **Integration with industry**
  - Scale and depth of industry-based learning
  - Research partnerships and commercialisation
  - Industry as competitors in the certification and delivery of content
Potential Implications for traditional University and TAFE Operating Models...
### Current Model for Higher Education

**Current model – Established Universities/TAFEs**

<table>
<thead>
<tr>
<th>Customers</th>
<th>Domestic students</th>
<th>International students</th>
<th>Industry</th>
</tr>
</thead>
<tbody>
<tr>
<td>Product offerings</td>
<td>Vocational &amp; further education and training</td>
<td>Higher education</td>
<td>Research</td>
</tr>
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<td>Education disciplines</td>
<td>Arts</td>
<td>Eng.</td>
<td>Science</td>
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<tr>
<td></td>
<td>IT</td>
<td>Design</td>
<td>...</td>
</tr>
<tr>
<td>Sales</td>
<td>Agents</td>
<td>Open days</td>
<td>Road-shows</td>
</tr>
<tr>
<td>Delivery</td>
<td>On campus</td>
<td>Digital</td>
<td>Partner-ships</td>
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<td>Student services</td>
<td>Student administration</td>
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</tr>
<tr>
<td>Back office</td>
<td>HR</td>
<td>IT</td>
<td>Finance</td>
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</tbody>
</table>

**Legend:**
- Current area of focus
- Increased area of focus in future models
- Areas de-scoped or reduced in focus in future models

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## Future Models for Higher Education

### “Streamlined Status quo”

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Future Models for Higher Education
“Niche dominators”

Customers

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<td>Science (illustrative focus)</td>
<td>Bus.</td>
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<tr>
<td>IT</td>
<td>...</td>
<td>Medical / health</td>
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<td>Design</td>
<td>...</td>
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Sales

Delivery

Student services

Back office

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Same as in ‘streamlined status quo’ model
## Future Models for Higher Education “Transformers”

### Customers
- **Domestic students**
  - School leavers
  - Mature age
  - Parents
- **International students**
  - High-end
  - Low-end
  - Content wholesalers
- **Industry professionals**
  - B2B
  - Exec. Educ.
- **Other education providers**
  - Service providers

### Product offerings
- **Domestic students**
  - Vocational & further education and training
  - Content aggregation
  - Entertainment
- **International students**
  - Higher education
  - Research
  - Financial services
- **Industry professionals**
  - B2B
  - Exec. Educ.
- **Other education providers**
  - Mass distribution

### Sales
- Digital
- ... (Outsourced)

### Delivery
- Digital
- Partnerships
- ... (Outsourced)

### Student services
- **Student administration, career services, other - outsourced**
- **Customer relationship management (cloud)**

### Back office
- **Outsourced**

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Potential Implications for the University Sector...
Some implications for Universities (and TAFEs)

- Greater domestic and international competition will place significant pressure on operating margins of universities

- There will be winners and losers... a number of universities trail significantly on the drivers of student choice...

- Universities at risk will need a clearly differentiated market position and a strong alignment of the student experience and brand promise

- Need for a genuine focus on improving the “students’ experience” - using market segmentation and differentiated service models e.g. school leaver vs. mature age student vs. international student, etc

- Getting the right balance between incorporating new technologies into the pedagogical experience - yet retaining/building student learning intimacy - as perceived by the student
Some Implications for Universities (cont.)

- On-line channels bring additional, NOT reduced, costs in the immediate term
- More pressure on IT capabilities and costs
- Introduction of new channels will also place significant pressure on operating margins
- Bringing employers along the journey - will they accept students taught through the new learning paradigms?
- Observe and learn from other sectors impacted by like technology - media, music, banking, retail, etc

Overall Implication

Current operating models MUST change – more segmented student experience, sharing/outsourcing, more partnerships, more flexibility
Potential Implications for Students...
Potential implications for Students

Opportunities

- Differentiated student support experience by type of student – school leaver, mature age, low SES, indigenous, etc
- Differentiated student learning packages by type of student – mentors, on-line, weekend, group work, etc
- Greater use of university assets – teaching on weekend/after hours, use by other parties
- Stronger employer/industry links
- Improved pathways between vocational and Higher education

Threats

- Changing dynamics in international markets reducing income to subsidise research, student care, etc
- Move to on-line has adverse impact on “intimacy” in student learning experience
- Sharper focus on most profitable courses/students - to the detriment of others?
- Some universities may “fail” - who looks after them?
- Falling teaching standards as the focus moves to greater student numbers
Higher education and the power of choice
Reform, competition and the emerging consumer-driven market in Australian higher education
Potential Implications for Policy Makers...
Implications for Policy Makers

Recognition of the role of Higher Education in the nation’s future

- Not just about export revenue
- Not just about “efficiency/value-for-money”
- BUT Higher Education is a key input to a nation’s long term productivity and competitiveness

Flexibility in Regulation

- Fee-capping?, Allowing new entrants?
- Links/overlaps with TAFE/Vocational Education Reform?
- Clarity on Government roles - regulator, price setter, buyer/funder (of research activities), owner (state governments), etc

Funding of Research

- Squeeze on teaching margins reduces scope to cross-subsidise research
Comments & Questions?