Developing a Successful Partnership Investment Portfolio

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Learning marketspace: an Internet gateway through which learners, employers, and education providers are drawn together to create value for learners, enhance economic development, and engage institutions in meeting the needs of twenty-first-century learners. --Partnering in the Learning Marketspace. (Duin, Baer, & Starke-Meyerring, 2001, 5).

Learning marketspaces represent a new paradigm based on the driving factor of partnerships. Entities partner to create learning marketspaces to better serve students by leveraging their human and fiscal resources. Those involved in the development of these marketspaces are fueled by a commitment to lifelong learning, and they understand the strategic importance of partnering to the current and future relevance of their institutions.

In Partnering in the Learning Marketspace (2001), along with co-author Doreen Starke-Meyerring, we provided a conceptual framework or initial blueprint for helping institutions better understand who to partner with, and why and how, for the purpose of establishing an online learning marketspace in support of lifelong learners. Since the publication of this book, we have developed a set of case studies for a number of learning marketspace partnerships underway in higher education, and we have included examples of these in the appendices to this paper.

In the course of developing these case studies, we continue to witness the fact that learning marketspace partnerships require higher education to question the values, structures, outcomes, and purposes that have formed the foundation of education for hundreds of years. We also have found that our initial partnership concept or blueprint needed greater emphasis on return on the partnership investment. Thus, this article moves our initial investigation and conceptual framework forward through addressing this question: How does a higher education institution develop a successful partnership investment portfolio when such partnering largely is viewed as a competing paradigm?

In this paper we begin by discussing the transition to investment thinking in higher education. We then describe how an institution can work to (1) define its partnership rationale, (2) determine its risk tolerance, (3) identify its partnership investment portfolio, and (4) understand its potential return on investment. We include comments throughout from our NLII review team.

1 We wish to thank the members of our NLII review team for their insightful comments and overall direction: Carole Barone, EDUCAUSE Vice President and CEO for NLII; Bruce Chaloux, Director, Southern Regional Electronic Campus; Susan Kannel, Executive Director of the National Coalition for Telecommunications Education and Learning (NACTEL); Dave King, Executive Director, Indiana Higher Education Telecommunication System (IHETS); and John Weir, President and CEO, Anlon Systems, Inc. We also wish to thank Doreen Starke-Meyerring for her in-depth comments and ongoing analyses of learning marketspace partnerships.
Our overall premise is that higher education should view learning marketspace partnerships as an evolving set of long-term investments. While not all partnerships necessarily should be long-term ones, the commitment to partnering must be long term. A long-term investment perspective helps an institution counteract the competing “sole source” paradigm entrenched in our institutions and leverage the skills of others to better serve learners in an uncertain world.

The Transition to a Partnership Investment Portfolio Model

When the foundation of an economy changes, you should expect to see major shifts in the operating models of every sector in that economy. Education will see a shift. During the change from agrarian to industrial eras, the education mantle moved from church to state. This time it is moving from the public to the private sector.


Complicating the transition to “investment” thinking in higher education is the polarity between the current public investment model for education with selected accountability measures and the private investment model for business with notably different accountability measures. The current public investment model for education is based on the social contract paradigm. Certain publicly supported activities, like education, benefit the common good; therefore, the public supports the activities. Until fairly recently, measures of this common good have not been totally understood due to the ongoing difficulty of measuring learning outcomes and learner competencies as compared to the easier measurement of graduation rates, placement rates, retention rates, and test scores on nationally normed tests. These indicators rarely identified the throughput activities needed to accomplish better accountability. Hence, the reason for difficulties in changing graduation, placement, or retention rates could be attributed to lack of student motivation, preparation, or dedication. Since the 1980s, concrete measures of productivity and accountability have been proposed across the country including performance outcome funding, learner outcome measurements, and forms of continuous quality improvement within higher education.

In an investment model, the economic model is different. Productivity is a result of increased investment in the efficiency of the operation. This could be from upgrading equipment, processing, and personnel. More investment translates into more productivity, and if it does not, there are more likely to be clear indicators -- e.g., a decrease in sales -- indicating why increases did not occur.

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2 A number of ideas in this section come from discussions at the May 18, 2001 National Learning Infrastructure Initiative (NLII) Focus Session on Partnering in the Learning Marketspace, San Diego. We wish to thank Carole Barone for her insightful summary of comments made as part of this in-depth discussion.

3 Note the Missouri and Tennessee models. Applicable to all higher education institutions in the State of Tennessee, Performance Funding provides financial rewards to institutions for exemplary institutional performance on demonstrated effectiveness of specific indicators. Coordinated by the Tennessee Higher Education Commission (THEC), Performance Funding operates on a five-year cycle that currently is 2000-2001 to 2004-2005.

4 Note the learner outcomes provided by the North Central Association. Also note the compiled links at http://www.topsy.org/learneroutcomes.html.

5 Note the Academic Quality Improvement Project (AQIP) at http://www.aqip.org/.
In higher education, more investment in equipment, the learning process and teaching personnel could lead to increases in student retention, graduation, and placement or not depending on wide variation of the “input” variable, that is, the preparation of the student. The past decades have witnessed large increases in student participation in higher education, more diversity in the student profiles, and even greater variation of preparation. At the same time that the input measures of education were varying widely, the output expectations have changed dramatically. This was particularly due to the tremendous change occurring in society as it redefined what it was to be a post-industrial information age society. The societal needs did not change the educational product requirement of higher education in a neat and tidy manner; there were still needs for training and education for jobs and careers in the agrarian and industrial-age sectors. However, the tremendous need for graduates at the large middle management level, which had been the primary focus of many liberal arts colleges and universities, has changed dramatically. Now the need for liberal education with strong professional skills and the individual capacity to change with the rapidly changing work environment requires a far different set of output measures, which in turn requires different educational operations.

Thus, the current structure of higher education was established to meet the needs of an economy that required outputs for an agrarian society and then an industrial society. An educational structure cannot meet the massive and comprehensive needs of the rapidly changing information society in the old structure of input-throughput-output. It can no longer be based solely on the public or “social contract” framework of investment and return. Rather, higher education must address the principles defining the new economy.

Reviewer Dave King notes: I think it is helpful to keep George McDowell's concept of "political capital" in mind when discussing ROI. He offers a balance of political capital and financial return in looking at ROI. He says if you develop a fiscal return you are less likely to develop "political capital" and that there is a proportion to this, meaning more money, less political capital, and vice versa.6

Reviewer Susan Kannel responds: Any attempt to encourage higher education to adopt more business-like models is to be applauded. This is the primary appeal of the Investment Portfolio—it provides a relatively objective framework through which a potential partnership can be evaluated. In many ways, the Investment Portfolio is really a business plan, customized for higher education online learning partnerships. A viable business plan is certainly a requirement for any online learning partnership initiative.

6 Dave King is referring to the recent book by George R. McDowell titled Land Grant Universities and Extension into the 21st Century: Renegotiating or Abandoning a Social Contract, 2001.
Principles defining the new economy

According to Stan Davis (2001), three principles define the new economy:

- Speed: constant change is healthier than stability;
- Connectivity: open systems thrive, closed ones wither; and
- Intangibles: the virtual trumps the physical. (62).

Applying these principles to higher education, it becomes more critical to understand that partnerships are required for this kind of knowledge creation and transmission. With the demand for speed and the capacity to thrive under constant change, educational institutions must develop partnerships that can create the environment to move quickly, to be more responsive, flexible, and adaptive to society’s needs. By pursuing learning marketspace partnerships, educational opportunities can be moved outside the confines of the existing structure and expand to anytime, anyplace learning.

However, higher education has difficulty dealing with the realm of learning marketspace partnerships. This can be attributed to the nature of the more closed and conservative operations of the institution. The entire structure of higher education is based on a cadre of highly educated faculty who came from the same environment they serve. Much of education is still in the teaching mode versus the learning mode, and there remains great resistance to building a balance between place-based and space-based environments. Only powerful partnerships can bring the early innovators in the e-learning enterprise to a successful level of operation and delivery of services to lifelong learners of the twenty-first century.

The lessons learned from the perspective of Stan Davis are that we are in a new era in the economy with new structures and outcomes being demanded of higher education. While the church and family were adequate for the educational needs in the agrarian era, and the public school system met the needs of the industrial age, the current age requires a far different model. Flexible, adaptable, and responsive education and training environments will come from one of the following: a fundamental shift in the models of existing education; a shift to a different sector to provide the necessary education and training within the necessary parameters of delivery and outcomes (i.e., the private sector according to Stan Davis); or a blended model, through dynamic partnerships.

Any of the above shifts are difficult for mainstream institutions because of the disruptive nature of pursuing what is largely perceived as a “fringe” market -- in this case the fringe market being lifelong learners. Because the existing structure was established on the remnants of the agrarian

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7 Regarding connectivity and networking, note the work of Manuel Castells, *The Rise of the Network Society*, London: Blackwell, 2000. Castells cites three core assumptions of Cisco’s business model: “the relationships a company maintains with its key constituencies can be as much of a competitive differentiator as its core products or services; the manner in which a company shares information and systems is a critical element in the strengths of its relationships; being connected is no longer adequate: business relationships and the communications that support them must exist in a ‘networked’ fabric. The global networked business model opens the corporate information infrastructure to all key constituencies, leveraging the network for competitive advantage.” (180). Castells also states that “as an historical trend, dominant functions and processes in the Information Age are increasingly organized around networks. Networks constitute the new social morphology of our societies, and the diffusion of networking logic substantially modifies the operation and outcomes in the processes of production, experiences, power, and culture. While the networking form of social organization has existed in other times and spaces, the new information technology paradigm provides the material basis for its pervasive expansion through the entire social structure.” (500)
model, and given the entrenched industrial model of mass education, it is unlikely that mainstream higher education will meet the new needs of learners, at least not as stand-alone silo entities. Thus, the transformation to electronic age education is growing fastest in the private and for-profit sectors where traditional lessons of growth, scale, and consolidation become blended with lessons from the connected era including increasing returns and shrinking costs in online learning marketspaces. The private sector is capturing the for-profit educational market first, and eventually the lessons learned may permeate into public sector education. Or, an institution can choose to be proactive and engage in this transformation through partnerships.

Susan Kannel responds: I think the paradigm discussion needs to recognize a major shift of control and the tensions resulting from that shift. Online learning partnerships clearly are business ventures, and the history and culture of higher ed work against having the core business skills to succeed at business ventures. The real paradigm shift is from a faculty-centered world to a consumer/student centered—marketing—administrative world. This shift includes such things as faculty control giving way to administrative control, student services as customer services, market-driven vs. faculty-driven, the diminished role of faculty when a single person anywhere in the world creates a course which is then taught by dozens of course facilitators. These are the real paradigm shifts and … the tension and conflict caused [is] not going to go away soon. Nearly every issue of the Chronicle has an article related to this shift. In addition, public policy, funding, etc. is aligned with old university models and makes it all the more complicated.

Partnerships as the driving strategy to meet market needs
We contend that partnerships are the drivers behind the emerging higher education marketspace. Indeed, partnerships represent the drivers in the current corporate environment. Robert E. Spekman and Lynn A. Isabella (2001) in Alliance Competence: Maximizing the Value of Your Partnerships state that “Firms no longer compete as individual companies, they compete as constellations of companies that cooperate to bring value to the ultimate consumer. Across virtually all sectors of the economy, alliances have reshaped the interactions of companies.” (7). And George T. Geis and George S. Geis (2001) in Digital Deals: Strategies for Selecting and Structuring Partnerships, state that “The number of deals is mushrooming. Partnership and investment activity have become an enduring dimension of corporate strategy that occurs during ebbs and flows of the business cycle. Virtually no one goes to market alone anymore—it’s too costly, too risky, and too slow.” (5).

The Jan. 8, 2002 issue of Elliott Masie's TechLearn TRENDS included the following: Watch for a wide range of mergers and acquisitions in the next eight weeks. There are a number of serious discussions underway between learning vendors which will lead to mergers or buyouts. Some of this is being driven by a shortage of cash in the banks of some learning start-ups. Others are natural combinations of players in the field. Here are two that just came across my desk in the last 24 hours:

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8 Peter Dirr (2001) in his article, “The Development of New Organisational Arrangements in Virtual Learning,” documents the capturing of this market by for-profit entities: e.g., Arthur Anderson Professional Learning has an annual budget of $382 million; Motorola University has an annual budget of $150 million and 700 employees devoted to this effort; and the University of Phoenix now has over 80,000 students in the United States, with expansion plans underway in Brazil, China, Mexico, Latin America, and Europe. Available: [http://www.col.org/virtualed/](http://www.col.org/virtualed/).
And Peter J. Dirr (2001), contributor to Glen M. Farrell’s collection, *The Changing Faces of Virtual Education*, states that

The trend towards partnerships and alliances in virtual education reflects a larger trend in society, especially in the business sector. Corporate partnerships and alliances dominated business news headlines at the end of the 20th century. The partnerships were often driven by the need to expand business by building new sources of customers, something referred to as increasing ‘market size.’ In order to support existing infrastructures and ever-increasing costs of doing business, corporations were driven to increase their revenues by increasing the size of their customer base. It was [is] no different for institutions of higher education. (95).

Institutions are anxious to form new partnerships to reach new populations. Businesses see the universities as sources of intellectual assets needed to develop distance education offerings. Universities recognise that the businesses are experienced in developing, distributing and marketing products to mass markets. Both sides are struggling to devise relationships that would draw on the strengths of each to create and deliver new products to meet the perceived needs of vast populations of adult learners. (111).

In short, partnering is necessary to gain a maximized return on investment in higher education. This is because of the changing landscape created by the growing e-environment. In order to develop the capacities to bring all the power of technology enriched services and programs to learners, diverse parties must come together in an integrated infrastructure to design, deliver and support the learning enterprise in a far more entrepreneurial way. These partnerships work to complement core strengths, increase agility, and manage costs, yet they are fragile due to the constant competing paradigm of the mainstream higher education institutions.

**Polarities.** Part of this fragility is due to the fact that these partnerships bring together diverse and often competing elements to an e-space where the elements would not otherwise co-exist. These partnerships introduce disruptive factors and polarities into the status quo of higher education. Such polarities include:

- public and private entities
- the culture of higher education and the culture of business and industry
- institutional needs and the needs of the individual learner
- competition among partners and cooperation and collaboration between competitors
- the needs of mainstream existing organizations and emerging fringe markets
- sustaining existing structures and building ones that may include disruptive technologies
- intellectual capital and social capital
- parochial concerns and global concerns
- academic teaching environment and the student centered learning environment

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* As examples of the changing e-environment, according to the National Center for Education Statistics, education and training accounts for $700 billion a year in the U.S. economy alone, with distance education acquiring an increasing slice of the pie. Thomas Wiesel Partners forecasts distance education to be a $10 billion industry by 2003; and Merrill Lynch forecasts the total e-learning market to be $25 billion by 2003.
Because learning marketspace partnerships force institutions to address the above polarities, higher education for the most part maintains its aversion to partnering and instead continues to favor individual development of e-spaces such as institution-centric portals. This trend raises compelling questions about students as consumers. Is there an assumption that learners are highly discerning consumers of student services but are not as sophisticated consumers of curriculum? As learners become more informed, will they choose courses based on quality rather than convenience? What kind of learner consumer protection will evolve?

Indeed, administrators, faculty, and staff often view learning marketspace partnerships as threatening because they are counter cultural; that is, they challenge the strong values of autonomy and “top of the pack” syndrome. Higher education still applies old style thinking (i.e., a focus on the first of each polarity listed above) and thereby rarely succeeds at promoting partnership investments or risk taking that is encompassed by embracing both sides of polar continuums.10

Susan Kannel shares the following quote by Richard Davis, Chancellor, United States Open University: “Web relationships are all partnerships. There are no more real stand-alones, no more complete outsourcing. And, all partnerships are high maintenance.”

Realities. Risk taking is extremely difficult amid structures and expectations that assume linearity of processes, decision-making, and orderly, incremental transitions. The learning marketspace of the Internet changes the dynamic from the value chain to the value web, from an orderly information and communication flow to a dynamic web in which change is non-sequential and endless. Value is added and redefined everywhere (place, space, time) through multiple relationships. As Manuel Castells (2001) notes, “there is indeed a common cultural code in the diverse workings of the network enterprise. It is made of many cultures, many values, many projects, which cross through the minds and inform the strategies of the various participants in the networks, changing at the same pace as the network’s members, and following the organizational and cultural transformation of the units of the network.” (214).

Furthermore, funding mechanisms and social and business conventions continue to define higher education as a social good. While the Internet enables the emergence of education as a personal and business good, this distinction has not been widely acknowledged, leading to confusion and misunderstanding among those involved in the development of learning marketspaces. Thus, the ensuing allocation of funds toward partnering in higher education continues to be arbitrary. No one knows the true cost or benefits of these partnership initiatives. How much can be accomplished through goodwill? Do limited budgets really contribute to a climate of creativity as with the emergence of Tennessee’s Virtual University? What are the politics and implications of funding learning marketspace partnerships through the re-distribution of existing resources, and what is the long-term effect of this approach on a regional system?

Perhaps the greatest deterrent to developing a successful partnership portfolio in higher education is the fact that the majority of partnerships are formed by a directive (legislated mandate) and/or through coercion (availability of funding) or fear of missing an opportunity, rather than by strategic choice. Consider how partnership development might change if institutional leaders realized that their role is more than managing the budget: that they are to create new wealth.

10 For a more in-depth discussion of managing polarities, see Chapter 7, “Leadership in a Global Learning Marketspace,” in Partnering in the Learning Marketspace.
Response at the May 2001 NLII Focus Session on Partnering in the Learning Marketspace:  Sidney McPhee described the Tennessee situation where the Board of Trustees mandated the development of online learning:  This is one method of promoting and facilitating change in higher education and has probably been one of the major methods to approach moving an institution in a direction it might otherwise have avoided. Institutions and the people that represent them tend towards maintaining the status quo.  When too many obstacles or barriers are evident, the state or federal legislature, or the governing board may mandate a change with incentives for participation and/or disincentives for not participating.

To address these polarities and realities, institutional leaders need to view the development of learning marketspace partnerships as a means to create new wealth; that is, they need to view partnerships akin to an investment portfolio. To do this, an institution can work to (1) define its partnership rationale, (2) determine its risk tolerance, (3) identify its partnership investment portfolio, and (4) understand its potential return on investment.

### An Institution’s Rationale for Partnering

To define an institution’s partnership rationale, we recommend beginning by addressing the concepts and questions outlined in the following blueprint for partnering. In our book, *Partnering in the Learning Marketspace*, we introduced this blueprint as a way to help partners better understand and define their goals and overall context for partnering.\(^{11}\)

<table>
<thead>
<tr>
<th>Table 1: Partnership Blueprint</th>
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<tr>
<td><strong>Step</strong></td>
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<tr>
<td>Vision</td>
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</table>
| Description | What is it (i.e., the partnership)?  
How will it affect my institution? |
| Beliefs | What are the guiding, foundational principles? |
| Assumptions | What can my institution assume that we can achieve together from this partnership?  
What will each partner do or be responsible for? |
| Operations | How will it work? Is it feasible?  
What are the goals? |
| Commitment | Are multiple levels committed to it?  
Are levels of trust and covenants in place? |

\(^{11}\) This blueprint is reordered slightly from the original, placing vision as the first step, and adding a cell asking partners to identify potential and/or actual return on investment.
Collaboration | Are collaboration and cooperation more important than hierarchy and competition? How do you know this?
---|---
Risk | Can we tolerate the financial, legal, academic, and/or experimentation risks?
Control | Who has control? Who has the authority? Where are clear lines drawn?
Adaptation | Are we willing to alter the direction, structure, and operations to support the partnership? Can the partners adapt in order to accept and operate in a blended environment of values, purposes, missions, and outcomes?
Return on Investment | What is the potential return on the partnership investment? 
• Learners 
• Faculty 
• Campus 
• State

We recommend that an institution completes this blueprint, that it requests its potential partner(s) to do the same, and that the partners meet to go over each cell. How much detail a partner provides in this blueprint testifies to that partner’s understanding of itself as a partnering entity and the level of investment it is willing to make.

Of the criteria listed in this blueprint, we have found five key factors to hold particular weight in terms of making for a successful partnership investment: commitment, collaboration, risk, control, and adaptation. These factors are affirmed in the advice offered by a number of researchers and practitioners involved in the development of partnerships:

Spekman and Isabella use the following set of questions to assess “alliance competence”:
• Does the firm have extensive alliance experience?
• Does the corporate culture support and reinforce alliance-like qualities?
• Is their senior management committed to the use of alliances as a strategic tool?
• Does an alliance infrastructure support the alliance efforts?
• How well does the firm select and negotiate with potential partners?
• Does the firm demonstrate commitment to its alliances?
• Does a process exist for developing alliance management talent?
• Does the company have mechanisms for learning from its alliance experiences? (19).

James Austin (2000) in The Collaboration Challenge encourages prospective partners to answer the following questions to determine a partnership’s “purpose and fit”:
• What are you trying to accomplish through the collaboration?
• Where does your mission overlap with the potential partner’s mission?
• Do you and your potential partner share an interest in a common group of people?
• Do your needs match up with your partner’s capabilities, and vice versa?
• Would the collaboration contribute significantly to your overall strategy?
• Are your values compatible with your prospective partner’s?

John Chambers (Cisco) offers five criteria to use when sizing up a potential partnership, insisting that at least four of these five be met if a partnership is to be successful:
• Do the companies enjoy a shared vision with complementary roles? Each should be excited about the deal; each should bring something distinctive to the table.
• Can the companies create short-term wins for acquired employees? Determine how to make talented people feel good right away.
• Does the company’s strategy provide a good fit that creates a win for all key stakeholders (shareholders, employees, customers, business partners)?
• Are the organizational cultures similar? Is the chemistry right?
• Is there geographic proximity? (as noted by Geis & Geis, 126-127).

Larraine Segil (2001) in *Fast Alliances* confirms the need to address adaptation toward the partnership entity. Segil has four “threshold questions” designed to help an entity determine the right alliance methodology:
• Where will the e-business investment be positioned within the company?
• Is it a separate division?
• Is it an initiative that permeates the whole company
• Will it be spun off into a new company? (25).

Above all, an institution’s partnership rationale and its resulting partnership blueprint must illustrate trust and commitment. According to Spekman and Isabella, “These two characteristics are the *sine qua non* of alliances for without trust and commitment, there can be no alliance. Trust is truly the cornerstone of any alliance as it is the foundation for social order.” (43). Without trust and commitment, partners rarely take the risks needed to make the partnership investment successful.

Dave King notes: It has been our experience here [Indiana Higher Education Telecommunication System] that maintenance of the brand identification of each of the partners must be considered one of the business assets in any partnership. Short of complete merger and renaming, the resources put into maintaining each brand by the individual partners actually magnify the value of the total brand investment, if you compare the outcome of that same investment separate from the partnership.

**Risk Tolerance**

Investing involves risk; likewise, partnering involves risk. It is not for the timid institution.

To illustrate the need for taking risks, Thomas Friedman, in an editorial following the September 11, 2001 terrorism in New York City, described his late departed friend George Beaver, a crazy Englishman who always played golf — as a man in his 80’s — almost every day during the Lebanese civil war at the Beirut Golf and Country Club. Friedman wrote, “When I would say to him, ‘You know, George, it's crazy to play golf under such conditions,’ he always had the best answer: ‘I know I am crazy to do it, but I would be even crazier if I didn't.’” Sept. 25, 2001, “Terrorism Game Theory,” *NY TIMES.*
And Max De Pree in *Leading Without Power* (1997) emphasizes the value of risk taking:
By avoiding risk we really risk what’s most important in life—reaching toward growth, our potential, and a true contribution to a common good. Sometimes we risk the present, and we do so most often consciously. Most of the time we risk the future, and we do so unconsciously. Many times we think about risking only material things. But in subtle, unspoken collaboration, we often risk persons and their future and their potential. In fact the degree to which we are prepared to take risks determines the degree to which we as individuals and as organizations can reach our potential. (137-139).

As one who has developed hundreds of partnerships in support of their 78,000 distance learners, Gerald Heegar (2001), President of the University of Maryland’s University College, describes partnerships as a means to share risk and as a means to negotiate an environment where new processes are needed to survive. He notes that partnerships help institutions to adapt to the future and leverage the skills of their partners to better manage in an uncertain world. According to Heegar, the institution that partners can take on greater risk and reap the potential of a greater return.

Similar to investments, different types of partnerships represent more or less legal, financial, experimentation, and/or academic risk. The continuum from less to greater risk might be viewed as shown in the following table:

| Table 2: Types and Levels of Risk Involved in Five Approaches to Partnering |
|-----------------------------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Commerce alliance | Minority equity investment | Joint venture | Spin off | Merger or acquisition |
| Legal | Low | Low | Low | Medium | High |
| Financial | Low | Low | Low | High | High |
| Experimentation | Low | Low | Medium | High | High |
| Academic | Medium | Medium | Medium | High | High |

**Commerce alliance**
As can be seen, a partnership investment that potentially involves less risk is that of commerce alliances or partnerships designed to build a learner base, enhance content and service offerings, extend an institution’s reach through new technology, or expand internationally. If you have less capital, alliance structures – joint marketing, licensing, joint teaching, outsourcing, co-branding--are less costly than the other types of partnership investments listed in the table. Overall, a commerce alliance investment strategy can be constructed to involve low legal, financial, and experimentation risk.

Appendix A includes the blueprint for a recent partnership between Fathom.com and Iowa State University. In this case, Iowa State University partnered with Fathom.com potentially to build a learner base and extend its reach in particular to learners interested in non-credit offerings. The academic risk involved is slightly higher (medium) in that faculty at Iowa State University are concerned that the academic quality of their online modules be maintained in the Fathom.com
environment, and that on the occasion of much larger online enrollments in courses (coming from Fathom.com consumers), that again, academic excellence be maintained. However, the institution can exit the partnership by canceling its contract with Fathom.com at any time, and the financial risk remains the monthly charge for posting credit-based courses at the site and 15% of non-credit revenue generated. Indeed, the partnership risk in this case is so low that, although Fathom.com refers to its institutional members as “partners,” many would see this as simply a glorified marketing/vendor arrangement. In fact, Peter Dirr calls this sort of partnering an example of “subtle alliances” or “the phenomenon of colleges and universities paying commercial Web sites to list their online course offerings.” (113).

**Minority equity investment**

If an institution wishes to have less overall partnership risk, it also could consider making a minority equity investment. Minority equity investments are used to replicate success elsewhere, fuel a value web, exploit similar investments, extend one’s brand, expand the vision, and/or build new supply chain linkages (Geis & Geis).

Appendix B includes a blueprint of this type of emerging partnership investment in higher education: the recent partnering of Norman Borlaug Virtual University (NBULearn.com) with the American Distance Education Association (ADEC, www.adec.edu) for the purpose of assisting NBULearn.com to build its supply chain linkages, in this case its content/offerings from colleges of agriculture at land grant institutions. To date, this partnership has involved little legal, financial, and experimentation risk on the part of either entity. However, there is potential academic risk: ADEC member institutions, approached by NBULearn.com, could contribute intellectual property that would become the “exclusive” property of NBULearn.com for five years.

**Joint ventures**

In business, companies pursue joint ventures when they wish to expand, especially internationally. Joint ventures involve more risk, but they help the entities to penetrate vertical markets, extend into new geographies, and reach new customer segments. Most joint ventures are 50-50 partnerships, and the partners must emphasize collaboration over competition to be successful (Geis & Geis). For example, according to Stephen Dent (1999) in *Partnering Intelligence*, Northwest Airlines and KLM Airlines decided what they wanted from each other and structured their partnership as interdependent—that is, maintaining two separate corporate identities but acting as a single joint venture in the eyes of their customers. In this venture, the two airlines do the following:

- Code-share, which allows them to book reservations on each other’s flights using a single reservation system
- Share ticket check-in and baggage loading facilities
- Share catering services
- Share warehouse capabilities
- Purchase materials jointly, which reduces costs through volume
- Market jointly and cross-sell into each others’ territory (190)

We have found learning marketspace partnerships in higher education to favor the joint venture investment model, and we would place the majority of state and global virtual universities here. Joint ventures appeal to higher education because they allow the partnering entities to maintain separate traditional structures but act as a single joint venture in the eyes of learners.
Joint ventures also appeal to businesses. For example, Pace University joined with the National Advisory Coalition for Telecommunications Education and Learning (NACTEL) to create and offer an associate degree in telecommunications (see www.nactel.org). Pearson PLC (www.pearson.com) is developing the joint venture – the Learning Network – with AOL, Blackboard, the University of Michigan, and Cambridge (Excelsior) College, anticipating it to grow to $300-500 million in three to five years (Dirr, 2001, 111).

Appendix C describes a joint venture on the part of seven community colleges in Iowa: the Iowa Community College Online Consortium (www.IowaCConline.com). In this case, the institutions involved are each expected to contribute equally to the joint venture. In interviews with Director Chuck Chrisman, he sites the legal and financial risks as being incredibly low. The participants understood that the venture was largely experimental from the beginning, and their greatest risks have been academic ones (e.g., which institution controls the course, the curriculum?).

Spin off
Perhaps the greatest potential risk and return, however, comes from a spin-off. In business and industry, a spin-off investment is intended to unlock buried value, secure new talent, or free up a division for later sale (Geis & Geis). One example of a spin-off in higher education would be the development of a for-profit entity in support of an institution’s distance education programs or in support of a product that it has developed internally (e.g., Prometheus.com). If the institution’s goal is to unlock hidden potential and assets and be first to market with a new program or service, a spin-off partnership investment may work best.

Early adopters and innovators favor this spin-off approach; however, it has the potential for high levels of internal disruption because new business practices ultimately are needed. That is, for a spin-off investment to succeed, the institution or entity needs to foster the development of a new culture and new incentives in support of the learning marketspace. The spin-off in this model, is a different operation than the original entity. However, this model still may bring with it the old vestiges of the existing structure, rules, policies or operating procedures. Hence it may be that the recent demise of several higher education spin-off operations could be due to the inability to move as quickly, responsively, or in as relevant a manner as the customer was demanding. It also may not have been the quick profit model that may have generated the movement into the spin-off operation.

Appendix D includes a blueprint of a spin-off investment – UNext.com and its virtual university, Cardean University – created by these partners: the Columbia Business School, Stanford University, the University of Chicago Graduate School of Business, Carnegie Mellon University, and the London School of Economics and Political Science. While the legal risk in this case may be moderate, the financial investment needed has been great, and lack of incoming revenue to date has resulted in increased experimentation as semester-long online courses are unbundled into smaller, more-marketable modules.

Here Reviewer Carole Barone asks: “Why does the University of Phoenix work so well and spin-offs do not? Is the problem that they are trying to offer a full program and there are too many strings attached owing to lingering ties to the values of traditional higher education?”

As we stated earlier, Stan Davis describes a new era in the economy with new structures and outcomes being demanded of higher education. While the church and family were adequate for the educational needs in the agrarian era, and the
public school system met the needs of the industrial age, the current age requires a far different model.

We believe that the University of Phoenix model is a stand-alone model that did not develop with the old structure of the traditional university. It stays focused on the commitment to adult learners and has limited the number of programs that it offers. It is separate from the traditional rules and regulations of the traditional university with the most obvious difference being that the majority of faculty are in adjunct positions with many working in the field in which they teach. This allows for the specific focus to be on the teaching of students with little overhead in terms of long term commitment to instructors. In addition, there is less investment in the overhead of bricks and mortar.\textsuperscript{12}

**Merger or acquisition**

Of perhaps equal or greater risk is a merger or acquisition. According to Spekman and Isabella, 60\% or more of business and industry mergers are reported to not succeed. Similar to a business, an institution should look for a merger or acquisition investment if it needs to control a new technology or process, transform a business model, consolidate in turbulent waters, or lock up synergies before it’s too late (Geis & Geis).

Appendix E describes a merger of e-student services underway by the Minnesota State Colleges and Universities. Note that this merger is one of e-student services and is not a true merger in the corporate sense; however, the majority of “mergers” in higher education at this time surround merging of services and programs rather than entire institutions.

According to Larraine Segil, rarely does a single partner or a single type of partnership represent the total solution or in this case, the total partnership investment portfolio. Institutions need to create a partner network, look at interlocking relationships among their partners, and ask these questions:

1. Do your partners compete with each other?
2. How can you leverage the strengths of the partners as a consortium?
3. What information barriers have to be put up between partners who are competitors in order to prevent the seeping of proprietary information from one to the other?
4. Can you add value to your network of partners as well as to yourself? Will doing so make you even more competitive in the marketplace?
5. Do your partners have partnering relationships that can benefit you, thus making them more likely than another company to be chosen as your partner?
6. Can you benefit from association with a particular partner? Or would association with a specific partner preclude you from partnering with others? (26-27).

In short, an institution should develop its partnership portfolio -- i.e., its set of partnership investment strategies -- to include a variety of investments, some with more and others with less risk. The danger lies in having neither a partnership rationale (i.e., blueprint) nor an evolving portfolio of investments. Similar to financial investments, an institution needs to consider the amount of risk it is willing to take, and it needs to approach investments with a long-term view.

\textsuperscript{12} Peter Dirr (2001) describes the story of e-Cornell as one illustrating the difficulty of “grafting new e-commerce onto the academic trunk of an existing tertiary institution. One catch was that the university’s administration created the new company without consulting faculty.” (113).
Reviewer Carole Barone asks: How does shared governance mesh with this recommendation? Who determines the components of the partnership portfolio? Who has the level of expertise and the positional power to determine what a given institution requires in partnerships? What is the role of the faculty? In the absence of real expert knowledge, this is like a bunch of amateurs investing in the stock market and expecting to hit it big.13

**Return on Investment**

Chairman of the Federal Reserve Board, Alan Greenspan (quoted as part of the NASULGC organization’s Millennium Initiative) has indicated that “if we are to remain preeminent in transforming knowledge into economic value… our institutions of higher learning increasingly bear an important responsibility for ensuring that our society is prepared for the demands of rapid economic change.” Partnerships are a key means by which higher education institutions prepare for and address the demands of rapid economic change. Through partnering, an institution can begin to shift its economic model to one of investment and return on that investment.

In an article titled “The Costs and Costing of Networked Learning,” Greville Rumble (2001) describes the increased recognition of efficiency through productivity increases:

> Until the late 1950s there was relatively little interest in the costs of education, and virtually none in the costs of educational technology. This failure reflected the fact that innovation in teaching methods was a largely marginal activity: as one early analyst put it, ‘education’s technology, by and large, has made surprisingly little progress beyond the handicraft stage.’ (Coombs, 1968, p.7)

However, the rising demand for and escalating costs of education led to attempts within the newly developing sub-discipline of the economics of education to quantify both the efficiency of public expenditure on education, and the economic benefits of providing it. Educational technology came to be seen as a way of improving the efficiency of education through productivity increases. (75).

Since the “input” of students is highly variable – i.e., far more students desire admission but come to higher education with increasingly mixed levels of preparation – to increase their productivity, institutions must either become more exclusive, or they must change their operations. Community and technical colleges have proven to be among the most open in their admissions.

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13 In partial response to these questions, note the May 18, 2001 report from the Committee on Institutional Cooperation (CIC): *Strategic Opportunities in Collaborative Distributed Education: A Discussion Document*. Here twelve research universities share components of their partnership portfolios or those initiatives in which they are collaborating with other institutions to share course environments or infrastructure. In the majority of cases, system administrators have determined the components of a university’s partnership portfolio, going on the assumption that those with positional power in large part also understand the institution’s partnership rationale and blueprint. For learning marketplace partnerships to succeed as long-term investments, faculty need to be involved from the early stages of development.

Another example noted by Peter Dirr (2001) is that of Temple University’s creation of Virtual Temple as a means to market online courses and more rapidly reach the lifelong learning market. Here faculty members “complained that the university’s administration had failed to consult with the faculty in developing the plan for Virtual Temple. One concern of the faculty was that the new corporation might ‘take jobs away from Ph.D.s and put them into the hands of business executives and poorly paid part-timers.’” (114).
policies, the most likely to provide the variation in preparation material for the diverse student population, and the most responsive to changing needs in society. Yet in most states, being responsive to educational needs remains a struggle. Inner city statistics reflect as high as 50% dropout rates in high schools, and rural and reservation schools sometimes have even higher rates. Numerous languages are now spoken in many colleges and universities, and workforce needs indicate one constant: the need for high quality training and lifelong learning career opportunities.

The critical variables that contribute to the quality of programs include state-of-the-art equipment, laboratories, classrooms and technology, and well-trained, quality instructors and staff. These components are critical in the balancing of the economic return on investment scale. Yet state support for higher education continues to decline. So, we return to the imperative that higher education must move towards powerful partnerships to maintain the critical role it has played in the improvement on quality of life for individuals and the enhancement of community development and progress.

As we mentioned early on, the successful investment portfolio must take into account these variables and the current change in the structure and demands of higher education. The old model was built on the assumption of discrete learning episodes and opportunities; it was place based in classrooms, libraries and laboratories; and the focus was on teaching and those who taught. The industrial model resulted in measuring outcomes in terms of what happened in the place-bound environment, i.e., seat time, credits accrued, enrollment head count, retention and graduation rates were measures of moving through the linear model of the higher education institutions. Compare this with the current emphasis on anywhere, anytime learning that is network based. Learning and the focus on student achievement and outcomes are the norm. Rather than discrete information acquisition, the need is for knowledge navigation. The expectation is for continuous, perpetual learning that fuses the experiences of ongoing education and work. The learner lives the learning experience rather than travels through it with a fixed destination in mind.14

Likewise, forming and sustaining partnerships as well as determining their potential return should be viewed as a continuous, perpetual process. An institution lives the partnering experience rather than assuming a fixed destination, all the while gauging its potential return on investment. According to James Austin, the critical question that should continually be asked is “What is the collaboration’s value to each partner? … The magnitude, form, source, and distribution of that value is at the heart of relational dynamics. The perceived worth of an alliance is the ultimate determinant of, first, whether it will be created and, second, whether it will be sustained.” (87).

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14 Doreen Starke-Meyerring shares comments from Tom Gilliam, Director of the Medical Group Management Program at St. Thomas University in Minnesota. The learners in this program are primarily physicians and health care administrators. When they complete the program, they do not want it to be done. Rather, they request regular refreshers courses in their fields. Gilliam notes that this need to keep learners involved in a learning networking is the most difficult student service to provide and is another reason or need for partnering.
Reviewer Carole Barone asks, “What about the fall out from this power shift?”

Actually, research is emerging about some of the backlash from online learning partnerships. Often when the partnering gets tough, the partnership is abandoned. Likewise, as the participants within the partnership change, i.e. the leadership, often the partnership shifts -- unless the players have agreed to a “blueprint-like” set of agreements. The greatest fall-out has yet to be seen. As learners become more in charge of their learning and as alternatives to the traditional learning operations emerge, more and more faculty and administrators will begin to question the new model of education. If the model is bolted on to the existing institution, efforts to erode the strength of the online learning may be attempted.

**Collaboration Value Construct**

James Austin (2000) encourages leaders to systematically assess a partnership’s value to the partners by means of his Collaboration Value Construct that includes four dimensions: value definition, value creation, value balance, and value renewal. Essentially, partners should examine these dimensions by asking these questions:

- **What does value mean to each of the partners?**
  - This includes setting clear expectations, quantifying benefits, and recognizing costs.

- **How do the partners create value for one another?**
  - Here leaders must identify how each partner’s resources can be mobilized to generate value. This includes discussion of “source and magnitude” (i.e., will there be a generic resource transfer? An exchange of core competencies?), joint value creation or a synergistic combination of capabilities, multi-party collaboration, and the social benefits of the partnership.

- **How can partners keep a two-way balance in the exchange of values?**
  - An imbalance toward one or the other partner results in a non-sustainable partnership. Partners need to ensure that they both perceive the benefits to be mutual and balanced.

- **What can be done to preserve and enrich the value of the alliance?**
  - Austin states that “skills are perhaps foremost among the many benefits that disappear as one organization internalizes another’s competencies.” (115). At such a point, partners should search for new activities or resource exchanges that renew the partnership’s value, they should sustain the relationship at a lower level, or they should appropriately end the partnership.

Austin’s guidelines overlap with questions noted earlier in the partnership rationale section, indicating how closely a partnership’s potential return on investment is linked to addressing the cells in the partnership blueprint.
Two Example Partnership Investment Portfolios

Do you know what type of partnerships in which your institution either is currently investing or has plans for investing? The tables in this section indicate the potential return on investment from partnerships either underway or being developed at Iowa State University and the Minnesota State Colleges and Universities primarily for the purpose of supporting distributed education. 15

Iowa State University (ISU) Partnership Investment Portfolio for Distributed Education

Iowa State University’s (ISU) current partnership investment portfolio for distributed education includes partnerships either underway or those being considered with Fathom.com, NBUlearn.com, Farm Bureau and Lighthouse Communications, IowaCConline.com, and UNext.com.

Table 3: Return on Investment for ISU’s Partnership Portfolio for Distributed Education

<table>
<thead>
<tr>
<th></th>
<th>Commerce alliance--Fathom</th>
<th>Minority equity investment--NormanBorlaugU/ADEC</th>
<th>Joint venture FBX</th>
<th>Joint venture IowaCConline</th>
<th>Spin off UNext</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learners / citizens</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
</tr>
<tr>
<td>Faculty</td>
<td>Medium</td>
<td>High</td>
<td>Low</td>
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<tr>
<td>Campus</td>
<td>Low</td>
<td>Low</td>
<td>Low</td>
<td>High</td>
<td>Low</td>
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<tr>
<td>State</td>
<td>Medium</td>
<td>Medium</td>
<td>High</td>
<td>High</td>
<td>Medium</td>
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</tbody>
</table>

Fathom.com  The Fathom.com partnership holds the highest potential return for those students not on campus or for people statewide and nationwide who would like access to credit courses as well as non-credit modules on subjects in areas of ISU’s strengths (e.g., agriculture, science, and technology). Faculty could potentially benefit through receiving a percentage of the tuition for non-credit modules; faculty also benefit from the increased incentive to repurpose their courses into smaller size modules for additional learner audiences. The state of Iowa also stands to gain in terms of promoting the development of online modules through such a partnership. The campus, however, continues to focus mainly on traditional on-campus students, with many programs filled to on-campus capacity. The campus, therefore, sees less overall benefit to attracting online students through a commerce alliance partnership such as that underway with Fathom.com.

15 These two systems – Iowa State University and the Minnesota State Colleges and Universities – were chosen because of the direct involvement of the authors at the time. Beginning January, 2002, Ann Hill Duin works as an Associate Dean at the University of Minnesota.
As a land grant institution, ISU is a member of the American Distance Education Association (ADEC). ADEC has partnered with Norman Borlaug University (NBULearn) to market and provide online programs in agriculture and food systems. ADEC member institutions are considered the “prime content providers” for NBU; i.e., ADEC identifies the provider and the institution to develop the learning materials, and NBU provides partial monetary support for the development of the learning materials. Thus, as an ADEC member, ISU has been asked to provide content for NBU. Online learners stand the most to benefit from increased access to modules focused on agriculture and food systems, and in this case, faculty also stand to benefit, as NBU will fund their development of the modules. The state of Iowa has the potential benefit of showcasing its quality education through a wider avenue for dissemination; however, the ISU campus community that has direct access to the information already, has less potential benefit beyond that of the increased market reach.

FBX (Farm Bureau Exchange) Iowa State University is participating in a joint venture with members from both the private and public sectors. This initiative seeks to build a new statewide Internet service covering 95% of Iowa’s geographical population and to provide the necessary education for Iowa citizens to participate in Internet activities. Partners in this initiative include the Iowa Farm Bureau Federation, Iowa State University Extension, Lighthouse Communications Inc., Iowa Community Colleges, and the ISU Agricultural Marketing Resource Center. The goals of the joint venture are to address the “digital divide” in rural Iowa and to develop innovative approaches to providing services and interacting with citizens. The partners are doing the following:

- Farm Bureau is helping to build this new statewide network through an infusion of funds and is providing enhanced member services through its new web site at [http://www.iowafarmbureau.com/](http://www.iowafarmbureau.com/). One specific service is the Farmers Market Online program that provides a unique and cost effective entry into the eBusiness world for small agriculture-based businesses.
- ISU Extension is coordinating educational activities, developing two training programs, a general Internet course, and an eBusiness introductory course. ISU Extension is also working with Iowa Community Colleges to deliver these programs. ISU Extension, along with the Community Colleges provides the Educational expertise and infrastructure required for a comprehensive program.
- Lighthouse Communications is developing and operating the statewide dial-up Internet Service. Lighthouse provides the technical expertise and the ties to commercial network infrastructure providers required to build a statewide network out of a series of fragmented network services. Their interest is to build a viable and sustainable operation and to leverage its resource into other projects.
- The Iowa Community Colleges are providing educational facilities and trainers to help deliver the proposed educational programs. This initiative helps provide more visibility of their programs to their respective communities.
- The Agricultural Marketing Resource Center (AMRC), a Unit of ISU Extension, provides critical information needed to build successful value-added agriculture enterprises for independent producers and processors. AMRC will help provide the required marketing and business education to support the Farmer’s Market Online program.

Likewise, a joint venture with IowaCConline.com also would hold a great deal of potential benefit for ISU. Since ISU has chosen to focus its online course delivery primarily at the masters level, a partnership with IowaCConline.com benefits both on-campus and off-campus students by providing increased online offerings during the first two years. Given that a large number of IowaCConline students registered during its Summer session are ISU students,
it makes further sense for ISU to forge a joint venture with this entity. Since ISU faculty are more likely to request upper-level or graduate teaching assignments, and teaching assistants and instructors are more likely to teach lower-level courses, this venture may hold some benefit for them. The greatest benefit perhaps comes to the campus and the state in that Iowans consistently request closer partnerships between its community colleges and Regents institutions to ensure a seamless transition for learners between the two.

UNext.com The potential return on investment for an ISU-UNext.com partnership is less visible. In a recent interview with Dr. Donald Norman (August 27, 2001), President and CEO of UNext’s Cardean University, Ann Hill Duin inquired about a potential ISU-UNext partnership and was told that UNext would only develop courses with its academic consortium partners (listed earlier), or in special cases with other institutions – e.g., Harvard University – to secure critical expertise needed for its offerings. Other universities and colleges, however, can consider offering their students Cardean University's online courses as a supplement to its on-site offerings. For example, note the following information at their web site:

- Pre-M.B.A.: Use Cardean's Pre-M.B.A. courses (accounting, analytical methods, finance, and microeconomics) to bring incoming students up to speed in a flexible, cost-effective way.
- Supplement to on-campus courses: Provide courses in additional complementary subjects outside the traditional M.B.A. curriculum (e.g., e-commerce, negotiation, or project management).
- Alternative to on-campus courses: Offer credit toward an M.B.A. to students taking Cardean courses in order to expand the school's reach beyond its geographic limits.
- Hybrid online/on-campus courses: Incorporate Cardean courses into campus classes using either Cardean instructors or your own faculty to teach the Cardean component.
- Executive or corporate education: Develop customized executive education programs in which Cardean courses are integrated with the face-to-face interaction of an on-site program. (www.cardean.edu).

These options potentially offer ISU’s Business College students a great deal of added benefit to their current curricula. However, when ISU’s faculty were presented with this option, they were more enthusiastic about partnering directly with, e.g., the Columbia Business School, than partnering with UNext and Cardean University. And again, the campus leadership found little overall benefit to joining a spin-off entity, while state leadership continues to see such potential partnerships as a means to leverage resources during a time of budget constraints.
MnSCU institutions are working increasingly together to develop and deliver e-learning to students. In the recent round of grants awarded by its Office of the Chancellor, partnerships and collaboration with other MnSCU institutions was required. In addition, MnSCU’s E-Learning Task Force is working to make it possible for students to take various courses at multiple institutions asynchronously and piece together offerings as seamlessly as possible. The following table highlights the current return on investment of a number of key partnerships underway.

Table 4: Return on Investment for MnSCU’s Partnership Portfolio for e-Learning Development

<table>
<thead>
<tr>
<th></th>
<th>Commerce alliance--Business partnerships</th>
<th>Minority equity investment--K-12 and CFL work</th>
<th>Joint venture</th>
<th>Merger e-Student Services</th>
<th>Merger MnSCU Online</th>
</tr>
</thead>
<tbody>
<tr>
<td>Learners / citizens</td>
<td>High</td>
<td>High</td>
<td>High</td>
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</table>

University of Minnesota. MnSCU partners with the University of Minnesota (UMN) in several important ways. UMN is a key founding partner of the Minnesota Virtual University (www.mnvu.org) and the Internet System for Education and Employment Knowledge (www.iseek.org). MnVU provides listings of e-learning courses statewide, and ISEEK is a sophisticated online career resource. In addition, the Metropolitan Network (METNET) consortium housed at UMN provides key technology services for metro-area MnSCU institutions, including hosting of WebCT software. Finally, through a joint powers arrangement with UMN, MnSCU, and state agencies, MnSCU is exploring partnerships that will allow the more efficient, cost-effective purchase of network bandwidth.

Businesses. Aside from the business partnerships that result in the development or delivery of customized training courses that specifically address the needs of the business community, MnSCU works collaboratively with businesses in this area in a variety of ways. In the recent round of grants awarded to campuses, over half of the awarded grants worked with businesses. In addition, the focus of the anticipated second round of grants awarded in FY03 for e-learning development will be addressing needs in specific niche areas (health care, manufacturing, etc.) and will include direct involvement of businesses.

K-12. MnSCU staff assist the Minnesota Department of Children, Families & Learning (CFL) staff in the development of their technology plan. MnSCU partners in the teacher preparation
area with the K-12 community to ensure that tomorrow’s teachers meet the new teacher competencies for technology. In addition, CFL staff and specific K-12 instructors have been critical members of the Healthcare Core Curriculum team as competencies were agreed upon and instructional development applied to present e-learning versions of that curriculum appropriate for delivery in the K-12 system. MnSCU staff also work with CFL staff to analyze responses to particular needs for educators; for example, Winona State University created an online degree-completion program in response to the identification of an acute state need for business-education teachers.

E-Student Services  MnSCU also is merging their e-student services into one learning marketspace. Funded in part by FIPSE, the deliverables for the first year partnership include the following:

- A review of best practices – They have determined that the WICHE standards are the best to assess current direction and to chart future planning;
- An e-mentoring system (in partnership with iSeek Solutions at www.iseek.org) -- This includes a student portfolio system for career management and an online customer support center (i.e., the beginning infrastructure for the mentoring model); and
- A web-enabled interactive student information system that leverages campus requested web services including online applications, prospect communications, and the handling of non-credit enrollments.

Again, the potential return on investment to students is highest, while that toward faculty and the campus remains slightly less. The return to the state, through the leveraging of resources among 53 campuses, has great potential.

Carole Barone states: This is the new reality. You are in fact defining the emerging shift in power from faculty to the consumer. While people have been saying this for awhile, this example shows that we are demonstrating how and why it is happening.

MnSCU Online  MnSCU is also working to merge its ongoing development and operation of e-learning. This “enterprise zone” called MnSCU Online involves a close collaboration between the Office of the Chancellor and the colleges and universities that choose to be involved in the partnership. This partnership allows MnSCU to move quickly and responsively in the e-learning marketplace.

In some general respects, MnSCU’s e-learning history and its evolution to the MnSCU Online partnership concept parallels national developments. Initially, institutions worked to increase the number of distance courses, but without a coordinated effort beyond the institutional level. Following the lead of California and Western Governor’s University, regional and system initiatives began to emerge (even though at this time the California initiative has not come to fruition and the promise of WGU has not yet been realized). Until relatively recently, there was a strong trend toward higher education institutions developing for-profit spin-offs for the delivery of e-learning. With the declining economy and the realization that e-learning is not a road to easy profitability, the venture capital market has decreased dramatically, leaving few outright successes at the level of Phoenix Online. However, regionally UNext (Chicago), Walden Institute (Minneapolis) and Capella University (Minneapolis) are recognized as successful. MnSCU has legislative authority to create/invest in a for-profit entity and has carefully considered a proposal for creating a for-profit business. Several months ago, the MnSCU E-Learning Task Force and an external consultant concluded that a for-profit initiative was not
appropriate for MnSCU at this time. The subsequent scaling back and closing of for-profits across the country makes clear that this was a prudent decision. Thus, MnSCU has proceeded with the internal development of the MnSCU Online partnership.

Summary of Return on Investment

Overall, when an institution chooses to develop a successful partnership portfolio, the return for students is greatest and comes in these forms:

- Opportunity and income gained from students not having to interrupt their education based on a variety of needs;
- Integration of learning with work applications leads to more retention of information due to the capacity to mass customize the learning modules;
- Capacity to have learning on demand so less time and fewer resources are lost as students wait for semesters or scheduling of courses needed;
- Increased capacity for promotions and moving along a career ladder in a more timely fashion since the learner is getting the state-of-the-art learning as it is evolving; and the
- Capacity to create new wealth through more efficient and effective learning opportunities which are continuous and perpetual in nature.

Although initially promising perhaps less return to faculty, a partnership investment portfolio provides additional capacity for the following:

- Relevant templates for the development of curriculum;
- Better integration of the learning modules to the work and career experience needs by the individual learner;
- Better integration with other instructors and scholars to provide more relevant curriculum;
- Time on the needed face-to-face components of learning such as team work, problem solving and mentoring students as lifelong learners; and
- The creation of new wealth through more focused development in new and emerging curricular fields for the future of the discipline, the community of scholars, and the region of the institution’s sphere of influence.

The return on investment for the campus includes increased capacity for:

- Educating more students in more learning venues;
- Maximizing learning environments for the diverse learning communities;
- Meeting local and regional needs for community and economic development through more integrated approaches to learning;
- Expanding the resource base through outside providers doing what they do best and the institution focusing on what it does best;
- Dispersing costs and generating new resources through creative and innovative partnerships with publishing companies, technology companies, marketing services, and equipment, laboratory, and library resource sharing.

Last, the return on investment for a state includes the:

- Integration of state economic development needs and PK-20 educational opportunities which results in a better educated workforce (entry level);
- Increased competitiveness from aligned life long learning opportunities with business, industry and community training and educational needs (ongoing educational needs);
- Increased efficiencies in use of resources through a more targeted approach to new emerging economic needs which require educational foundations within a state (new industry needs); and
• Increased PK-20 alignment which results in better retention of students in education and more focused career and training pathways, which in turn results in less duplication of educational services (i.e., a better use of fiscal and human resources).

The above initial analyses of Iowa State’s and MnSCU’s partnership investment portfolios illustrate that the return on a partnership investment varies greatly depending on one’s position – learner, faculty, campus, state – in the enterprise.

Thus, as your institution begins or alters its partnership investment journey, our advice is to develop a partnership blueprint and pose questions basic to investment thinking:
• How does each partnership investment make sense based on the institution’s core competencies, mission, and assets?
• Which partnerships represent “blue chip” investments?
• How will the institution plan to diversify these investments?
• When should the institution play the market?
• What is a reasonable analysis regarding “after-infrastructure costs” return?
• Is the institution willing to sell off or sunset a partnership investment?
• What measures have been put into place to protect these partnership investments as well as those who lead these initiatives?

Higher education needs to view partnering as an evolving set of long-term investments. Not all partnerships necessarily will be long-term ones, but the commitment to partnering must be long term to counteract the competing forces working to maintain the status quo. Long-term partnership investment thinking enables institutions to think strategically about partnerships as they work to leverage their strengths with those of other institutions and industries and meet emerging learner needs. To the extent these portfolios develop will depend on the “vision of the possible” provided by all those involved.
References


Possible Sidebar to include in the paper:

George T. Geis and George S. Geis (2001) in their book titled *Digital Deals: Strategies for Selecting and Structuring Partnerships* describe an eight-step process for selecting and structuring partnerships. Here we adapt steps one through five as they apply to the higher education context and the development of learning market space partnerships.

**Step 1: Develop a market overview** that depicts traditional, hybrid, and digital value activities. Geis and Geis state that “Linear value chain analysis is no longer sufficient to support competitive positioning and partnership decisions, in part because multiple market activities—traditional, hybrid, and digital—are occurring simultaneously.” (31). In terms of an institution’s partnership portfolio, consider those partnerships that would aid your traditional (brick), hybrid (brick and click), and digital (click) activities.

**Step 2: Systematically develop a player database** by identifying education entities directly competing, doing deals, or likely to enter the higher education market. Characterize each entity by its value activities, geographic focus, or customer segmentation.

**Step 3: Design and build a deal database** for the higher education market and area in which you are seeking partners. One example of such a deal database is a recent study completed by Doreen Starke-Meyerring (2001) for ISEEK Solutions, Inc. Starke-Meyerring analyzed 150 e-learning and career services portals as well as the news and research associated with them. The purpose of this research was to present emerging trends and strategies in the lifelong learning portal industry and consequently to provide a decision-making framework to those considering the next generation of lifelong learning service portals. However, this framework is consistent with that proposed by Geis and Geis; that is, it includes the following information related to each e-learning and career service portal:

- Description of the e-learning portal
- Date initiated
- Type of partnership arrangement in support of the e-learning portal
- Primary entity (or the entity that began the initiative)
- Partners involved
- Facts surrounding the construction, implementation, and sustainability of the portal

**Step 4: Uncover partnership rationales using direct analysis** (i.e., an in-depth review of facts and statements surrounding a specific partnership) or by analyzing constellations of partnerships (i.e., discerning higher-level patterns in the partnership-making activity, e.g., by examining the broader array of partnerships and investments that the entity is establishing). A partnership rationale is a statement of what an entity hopes to accomplish or gain as a result of the partnership. For example, an entity might gain additional marketing, operations, finance, new curricula and programs, or a new college or other organization.

**Step 5: Within the context of an institution’s core strengths (and highlighted in the completion of the blueprint), select rationales that will contribute to a superior partnership investment model.** That is, while referring to your completed blueprint and partnership database, determine your partnership rationale(s).

Appendices available in a second file (electronically upon request to ahduin@umn.edu).