



Global Urban Challenges: The Role of Research Universities

Will Private Equity Save Higher Ed?

By Lydia Lazar • November 11, 2013 • Originally published by [The Chicago Council on Global Affairs](#)

No one can doubt that there are seismic shifts taking place across the landscape of higher ed—changes reflecting domestic and international pressures that are diverse, novel, and powerful. Every institution is—or should be—taking a comprehensive review of its strengths and challenges as it faces a rapidly transforming 21st century education marketplace that is networked, mobile, and competitive.

With over 4,000 colleges and universities, the US is well positioned as a global provider of a wide range of offerings in the tertiary education sector. Students around the world, particularly but not only in China, identify the US as their [destination of choice](#) for study abroad. We do have competitors: the UK, Australia, and even European countries are now offering programs of study in English—but the demand for our educational programs is accompanied (or at least has been up til now) by a voracious appetite for our culture.

Despite this competitive advantage in terms of the global market for higher ed, many US colleges are facing dire financial straits. The drumbeat of ‘crisis in higher ed’ headlines interweaves the problems faced by indebted students with no jobs or no degrees with the problems faced by indebted colleges with small or nonexistent endowments. But these are obviously problems with different origins, though certainly one facet of the institutional dilemma is the increasing reluctance of domestic students to borrow at the levels needed to pay tuition—despite recent data showing that a college degree is still [worth the investment](#).

The highest ranked and best endowed US schools may [yawn at global rankings](#), but the fact is, most of our top schools are in reasonably good shape financially, and, as the upcoming [Chicago](#)

[Council conference](#) illustrates, the top research universities are actively engaging with their global peers, which will help them continue to attract top faculty—and hence research funding and top students—to their programs.

For other, lower ranked schools, however, the path forward is fraught with difficulties. And here is where institutional financial woes are most interwoven with the student debt debacle. For many years, US colleges have profited from the willingness and ability of US students to borrow/have loans guaranteed by the Federal government. Tuition has steadily increased (though many students have paid far less per year than sticker price) and in reliance on projected revenue, many schools have made ambitious investments in infrastructure or ignored unsustainable business practices.

Overextended financially, lower ranked schools are now battling reduced tuition revenue and looking for ways to cut costs. In addition to drastically reconfiguring their ranks of tenured faculty and substituting an army of less expensive adjuncts, many schools are seeking cost efficiencies by outsourcing a range of campus activities and functions.

At the same time, an emerging corps of [private sector](#) companies providing ancillary services is attracting capital and offering to run everything from traditional admissions work—including marketing and student recruitment activities—to on-campus bookstores, food service, and IT/administrative software solutions.

It makes perfect sense for lower ranked schools (and even some mid tier schools) to look to the private sector for help, since these companies can nimbly develop—and quickly modify—

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functional solutions that can scale across the higher ed industry. A perfect example is the SLATE [admissions software](#) that is now in use by hundreds of universities—from the Ivies to community colleges.

We can only expect this trend toward outsourcing functions and adopting technological innovation to intensify as state governments continue to defund public institutions and domestic students continue to vote with their feet for lower cost college strategies such as enrolling at community colleges for the first two years and then transferring to four year colleges for their brand name diplomas.

One promising sign that some US colleges and universities are upping their game is their pivot toward international recruitment. Global companies such as [StudyGroup](#), [Navitas International](#), and [Kaplan International](#) are meeting non-US students' needs for English language skills development, academic preparation and

career/vocational training, and bringing these so-called “Pathway” programs to partner universities across North America.

More on how foreign student enrollment and private equity investment will impact the US higher ed sector—and US students competing for jobs in the global marketplace—in my next commentary.



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