PUBLIC-PRIVATE PARTNERSHIPS

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About the Author

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As universities struggle to support their core mission in a time of unprecedented budget cuts and an increasingly dismal outlook for increased public funding, institutional leaders are searching for new ways to cut costs and increase revenue streams from other sources. Public-private partnerships create access to valuable private sector resources to sustain important teaching, research, and service functions. However, there is much confusion in academic circles about what constitutes a public-private partnership, how they function, and the challenges they present as well as the potential benefits. Indeed, people often use the word "partnership" very loosely, and this creates problems in discussing the issue in productive ways due to preconceived notions, erroneous assumptions, and widespread misconceptions.

Definition of a Partnership

A partnership is a cooperative agreement between a higher education institution (HEI) and another distinct organization to coordinate activities, share resources, or divide responsibilities related to a specific project or goal. It facilitates the achievement of a goal that could not be achieved alone by the individual entities and often requires both parties to significantly alter the way they operate in order to combine resources, jointly manage projects, and expand the collaboration into new areas.

A Continuum of Bilateral Relationships

Competition → Transactional Contract → Transformational Partnership → Merger

Outsourcing

Outsourcing is by far the most common bilateral relationship between public institutions and private sector organizations. However, it is not, by definition, a true partnership. It is generally carried out under the aegis of a transactional contract for a specified period of time and can be renewed if both parties want to continue the arrangement. Examples of outsourcing contractors:

- International recruitment services
- Credentials evaluators
- ESL providers
- Third party providers of study abroad programs

In transactional relationships, each party pursues its own goals with no requirement to identify *mutual* goals or *shared* purpose (although their individual goals and purposes may coincidentally overlap). Such relationships are generally based on clearly defined roles and a *quid pro quo* that is carefully detailed in a written contract. The outsource provider delivers a product or service for the institution that is aligned with the institution's specifications, in a way that is often more economical, more productive, and/or of higher quality than the institution is able to provide with its own limited resources.

These transactional relationships are *tactical* in nature and focused on contracting for specific products or services that are of immediate value. The contract can often be negotiated on behalf of the institution by a key leader who has campus authority over the service or product in question. Subsequent approval processes will vary by campus.

Joint Venture Partnerships

Joint ventures are transformational, deeply embedded "value-chain" partnerships between a HEI and a private sector organization. The partnership is developed for mutual benefit through a collaboration focused on jointly created value, not just an exchange of goods and services. Partners from different sectors with complementary skills and assets join forces to create *new* value for end users (e.g. students). There is a high level of mutual commitment, multiple projects, broad engagement of units throughout both organizations, and a dynamic relationship that constantly adapts to take advantage of new opportunities and development. Joint ventures require the participation and on-going strategic leadership of the most-senior leaders of both the HEI and the private sector entity as well as the tactical engagement of a broad range of stakeholders throughout both organizations.

Well-executed joint ventures result in *transformational* change in both organizations and such partnerships are always strategic in nature. They are expected to be broad, inclusive, dynamic, and shaped by a long-term vision.

A Cultural View of Partnerships

Partnerships are influenced by the culture in which they are established. In the United States, partnerships are often narrowly defined, opportunistic, contractual, and based on a *quid pro quo.* They are generally assessed in financial terms. Autonomy is highly valued in our individualistic society, and partnerships are often viewed as barely tolerable unless absolutely necessary. In academe there is a pronounced resistance to engaging with the private sector on any level other than administrative/technological/physical infrastructure of the enterprise.

Some stakeholders (on either side of the partnership) can become so preoccupied with the financial outcomes of the deal that important political, cultural, and humanistic aspects of the relationship are ignored or undervalued. In such an environment, it is hardly surprising that "partnerships" and "outsourcing" are often mistaken for interchangeable terms.

In general, the more collectivist cultures of Asia are far more comfortable than Americans with true partnership relationships. They tend to spend more time developing a holistic relationship with individuals and organizations in other sectors and are often much more amenable to and adept at leveraging such relationships. Asians have been more comfortable developing partnerships with the private sector as a very pragmatic approach to developing capacity in higher education.

Joint venture partnerships in international student recruitment, admissions, and pathway programs have become firmly established in the United Kingdom over the past decade in response to compelling financial drivers. In the United States, joint ventures have been a common strategy for many years but only with regard to building residence halls, transportation systems, bookstores, food service, vehicle leasing, commercialization of research, and other infrastructural systems. Only recently have some U.S. universities begun to experiment with this new paradigm in areas more closely connected to the academic functions of the university (e.g. recruitment, admissions, and student academic support services). Such projects were initially met with skepticism and resistance from some quarters. However, there is now compelling evidence that such partnerships can have a transformational impact on student diversity, student performance, and the institution's international ethos, not to mention its financial sustainability.

Five Elements of a True Public-Private Partnership

1. The relationship is outside the formal organizational structure of the institution or organization. It requires both entities to work outside the familiar home base to develop a

functional structure that spans both organizational boundaries;

2. It requires a spirit of mutual respect and functional cooperation.
   a. No unilateral decisions can be made on issues within the purview of the partnership.
   b. Some aspects of the relationship may be nonnegotiable from the outset (e.g. academic control, quality assurance, terms and conditions of employment, etc.).
   c. A new framework for operation is mutually agreed upon.
   d. Recognizes the valued assets and core interests of both sides. One-sided partnerships are hard to establish and impossible to sustain. True partnerships (like marriages) are often in and out of balance and sometimes require recalibrating. The long-term nature of the commitment helps sustain the relationship through periodic adjustments.
3. It must be focused on a common goal or specific project in which both invest significant assets. Actions must result in concrete benefits for both partners. Living, dynamic, evolving systems are created. The partnership opens new doors and presents unexpected opportunities over time.
4. The partnership cannot be controlled solely by formal systems but is based on a dense web of interpersonal relationships and specific infrastructure that fosters communication.
5. It must be consistent with the core values of each of the partners and not create a dissonant story line within either of the partner organizations.

Critical Questions If You Are Considering a Partnership

1. What exactly do we want to do? Scope? Scale? (Be bold!)
2. What human and financial resources will be required to fully accomplish this goal?
3. Can we do this alone? (Be realistic!)

4. Is our project limited in scope and best addressed through a simple outsource contract, or do we need a long-term partnership to address a complex set of issues?
5. If we choose to engage in a partnership, what are the nonnegotiable parameters (Academic control, quality assurance, etc.)?
6. What are the risks of a particular partnership? The payoffs? (Requires substantial due diligence on both sides.)
7. What are the consequences of doing nothing?

Assessing Partnership Opportunities

1. Is the proposed project mission compliant?
2. Are your objectives realistic? (By the same token, are they audacious enough?)
3. Is there mutual trust between you and the prospective partner?
4. Do you have the right leaders in place on both sides and are they compatible?
5. Do you have buy-in from key stakeholders? If not, can you get it?
6. Do you have the organizational capacity to sustain the partnership?
7. Are key aspects of the agreement fully vetted and documented in writing?
8. Do you have a communication plan, both internal and external?
9. Do you have an assessment strategy?
10. Are you prepared to solve the problems that both sides will inevitably encounter?

Critical Leadership Skills for Transformational Partnerships

Transformation is just another word for "change" and change is very threatening to many people, especially in uncertain times. Therefore, a campus leader must be

1. able to communicate an inspiring strategic vision
2. flexible and creative in solving problems
3. financially savvy

4. cross-culturally skilled in working across sectors (outside one's comfort zone)
5. skilled at persuasion and the management of change, and
6. sensitive, patient, persevering (in the face of frustration, resistance to change, surprises, problems, and inevitable delays).

Innovation, Agility, and Access

Higher education is undergoing a period of significant and rapid change. Old paradigms are increasingly insufficient to sustain institutions in this quickly evolving and highly competitive environment. Innovation, agility, and access to new expertise and income streams will be the keys to sustaining institutions through this transformational period. As public funding continues to dissipate, new forms of public-private partnerships will continue to expand in the years ahead as a critical means of accessing private sector resources to support our core mission of teaching, research, and service. Understanding the advantages and challenges of such critical partnerships will help institutional leaders leverage this option on behalf of the academic community and society at large as the university continues to pursue its global agenda for teaching, research, and service.