RESTRICTURING OF PRIVATE INSTITUTIONS IN A COMPETITIVE MARKET

Youngsik Hwang
Indiana University
yh27@indiana.edu

Abstract: Over time private postsecondary institutions in the United States have developed their structures in order to survive in the competitive higher education market. These private institutions have foundations in different social values and have executed different roles to back up the marginal public space for prospective students. In overviewing the characteristics of how private institutions have survived in the competitive market, this paper provides insight into how they alter their structure to meet social needs in the higher education system. This paper also suggests that restructuring planning for private institutions is beneficial in the long run, which provides policy implications for institutional researchers.

Keywords: Private institution, Restructuring, Competitive market, Public value

INTRODUCTION

In terms of the makeup of the higher education system, the majority of postsecondary institutions are public, while private institutions support the U.S higher education system as alternatives. Public and private institutions share educational missions and objectives in order to advance education together. Over time the American higher education system has changed its internal structure to meet inconstant external demands. Postsecondary institutions adopted new paradigms, reformed their missions, and revised their curriculums for better performance. One of the main ways in which they have restructured is by shifting their legitimacy from higher education as a social institution to higher education as an industry (Gumport, 2000). Public institutions are under more economic pressure because of shrinking state appropriations, which drives them to revise their own educational heritage, functions, and historical characters. In this process, universities and colleges experience the complexity of diverse structural changes in terms of governance, administration, and academics (Duderstadt, 2001). While public institutions try to change their structure in order to meet the flexible external needs, the institutions face another other issue, isomorphic transitions of each other. The line between the public and private sectors breaks down, and the unique characteristics of each institution merge into one broadly accepted comprehensive figure. While private institutions try to maintain their own specialty based on innovative reform, success rates remain around 10 percent (Brewer & Tierney, 2010). However, many institutions have faced such difficulties when balancing between survival and their uniqueness in the market. It is still essential that they have good quality of teaching, research, and administrative services in order to maintain a good academic reputation (Christensen, Horn, Caldera, & Soares, 2011). Meanwhile, society has continued to be segregated by targeted population groups, and the demographic trends of potential students are more diverse compared to previous years (Duderstadt, 2009). This pace of restructuring postsecondary institutions is inevitable and requires strategic planning for improving their structure. From the top organizational governance to individual students in the institution, collaborations for sustainable improvement become more important to keep ascendancy of market principles and the efficacy of business practices (Braun & Merrien, 1999).

This paper analyzes how private institutions change their role and responsibility to survive in a flexible external environment and in the competitive market. Private institutions have different structures and decision-making mechanisms from the public institutions. The different internal structure allows them to act differently under the identical situation. This analysis first provides the theoretical background of the private institution system in the U.S., then overviews how private American institutions have responded to social needs to compete with their counterparts and defines their social responsibility in terms of multidimensional aspects. Next, it provides possibilities for structural innovation in private institutions and proposes the conceptual model for restructuring. Lastly, this paper suggests some policy implications for future research direction.

THEORETICAL FRAMEWORK

Organizational restructuring reflects internal changes and expresses social needs. Under the external challenge of financial components over time, public institutions have adopted more effective managerial strategies to distribute internal funding, such as performance-based distribution, strict curriculum, and implementation of a college completion agenda. Meanwhile, public institutions are connected to external stakeholders including private companies, and the lines between public and private sectors have been blurred. However, regardless of the institution type, one of the most common characteristics of postsecondary education is training future workers. In terms of labor market perspectives, institutions should respond to social needs when hiring future workers. Although institutions have become more homogenous, focusing on private networks and
financial-centered tasks, the original responsibility of postsecondary institutions has not changed. Institutions also should retain their specialties in order to differentiate themselves so that they can survive in the competitive higher education market. The combination of diversification and homogenization causes institutions to define their institutional image and make it sustainable (Fairweather, 2000). Barrett and Meaghan (2010) especially discuss the direction of capitalism for postsecondary education by using Adam Smith. For Adam Smith, the marketplace is not magic key to solve all social problems and a certain level of public interruptions are essential for better performance. Higher education should respond to both private individual quests for better returns as well as public values as a figure of corporations. The corporation resolves distorting market relations and copes with flexible diverse external needs. In this aspect, postsecondary education institutions play diverse roles to cooperate with external entities and reproduce polished managerial strategies to reflect social needs. For example, institutions may change their curriculum to meet industrial needs, which improves the possibility for graduates to be hired in the private sector. This connection between both entities makes room to reach an agreement for each benefit, such as academic reputation and supply of well-trained workers.

While statewide coordinating boards are responsible for managing institutional programs in the public sector higher education system, private institutions are controlled by different cohorts who have diverse interests such as private benefits and business (Brint, 2002). Both have different approaches to respond to external needs and their strategy often reflects flexible environmental components. However, the basic extent of service learning does not have any significant difference between the public and private sectors in terms of philosophy and mission, community participation, and institutional supports (Greene, 2004). With the common direction of change, institutions pay attention to external voices who support them financially and the sources of finance or resources tend to control the institutional governance at the top. Furst-Bowe and Bauer (2007) defined institutional innovation as “making meaningful change to improve an organization’s processes and services and creating new value for the organization’s stakeholders”. In this aspect, the institution should also follow the organization’s governance as well as create meaningful change. The considerable components to reform their internal structure include their own mission, culture, and academic climates and balance their academic reputations and the effectiveness based on mission diversity (Eckel, 2008). The institution restructures their curriculum, administration, and services in order to reflect social inclusion (Gertler, 2010). It drives more effective ways to manage their resources and help them buffer external invasion for their core values, such as institutional identity. Those changes intend to maintain the academic excellence as well as revitalize their images in the competitive higher education market (Saunders, 2015).

Postsecondary institutions reproduce collective social benefits and individual private outcomes together (Lewis, Hendel, & Dem, 2003). These benefits include many non-monetary returns and societal externalities (Bowen, 1977; Cohn & Geske, 1992; Wolfe & Zuvekas, 1997). The deriving effects are engaged in diverse social cohesion and community issues such as volunteer service, civic life, and political efficacy (Lewis et al, 2003). In this aspect, while public institutions have shifted their internal structure toward more private areas based on business aspects, the private sector can emphasize their public missions rather than differentiate them within neoliberal marketization. This may be another strategy to differentiate identity in the higher education system. In order to maintain academic competency in the market, private institutions try to balance between academic freedom and private governance intentions in different ways. Meanwhile, they also pursue the democratic purpose of postsecondary education (Youngberg, 2008) and have a shared governance system for decision-making for keeping their educational values as public goods (Tierney, 2012). While the classification between public and private education is a combination of political-social intervention mainly interpreted through the view of the state, the public’s recognition of targeted institutions depends on the kinds of outcomes such as private rates of return and public externalities (Carnoy, Froumin, Loyalka, & Tilak, 2014).

LITERATURE REVIEW
Prior studies have investigated an institution’s capacity for progress in restructuring their organization in a variety of different ways by considering how an institution makes a change based on specific institutional values. To be more specific, some scholars show how an institution is able to create diverse missions statements or goals for further development. Sohail, Daud, and Rajadurai (2006) find that a higher level educational institution tends to focus more on cost-saving strategies for restructuring, particularly on the cost of sales and operational expenses. This information shows that institutions tend to hire more part-time teaching staff and expand market-driven or customer-focused external relations from the outside. Kwiek (2000) acknowledges that the institution considers the bureaucratic educational corporation based on the national or state level collaborations for innovative remodeling of internal structures. This suggests new functions of the university is available based on new changes that combined themselves with large cultural, philosophical, and political projects of innovation. Hall and Thelen (2009) consider the institutional equilibrium to approach based on the optimal institutional change and project that the institutional change is understood as a mutual adjustment between relevant actors and
activate small alterations for each practice (Streeck & Thelen, 2005). When the changes are a applied, it is expected for institutions to experience a dynamic of interest, power, and influence and it is expected for well-prepared institutional leaders to mitigate the negative repercussions of unexpected turmoil through the change of labor, asset, and other resources (Capron & Guillén, 2009).

An institutional restructuring may require several conditions to have lasting and beneficial results. Mares (2001) argues that an advanced training process is essential in restructuring a college institution. This includes the re-education of necessary labor forces that adhere to a new structure by meeting new institutional needs, as well as the formalization of specialty training. During the restructuring process, institutions also need to choose between maintain their own institutional values or abandoning them to meet a new and higher standard. Institutions need to avoid negative externalities and internalize all changes to help moderate potential workers that are pushed out due to institutional changes (Mitchell & Keilbach, 2001). Through a set of diverse product and pricing strategies, institutions must provide several recruiting incentives for potential students and parents (Binsardi & Ekwulugo, 2003) and must instill confidence in the consumer base of the institution's effectiveness as well as the its vision for future changes. Structural changes for an institution will oftentimes face external pressure for government agencies or industries to support collaborative activities to influence the changes an institution is making. In these transitional challenges, an institution must adhere to their goals and often make strategies to support their own agenda while also targeting goals on common policies and procedures with external agencies (Harris, 2010). Institutions should consider long-term perspectives through a problem-oriented nature and involve a diverse pool of stakeholders for a better and easier transition (Yarime & Tanaka, 2012) that focuses on institutional sustainability for better performance. An institution’s goal for a restructuring program should include higher reputation (Hazelkorn, 2013), increased student retention rates (Longden, 2006) and other active responses to flexible student expectations of the institution.

Restructuring an institution requires interactions with others and being in support of a greater goal (Hudson, 1996). Relevant stakeholders such as students, faculty, and other campus members need to vocalize their needs and be involved in the restructuring process. Because a college institution’s primary goal should ultimately be about education, teaching and learning methods should be one of the most important indicators to undergo scrutinous evaluation during the change with institution leaders establishing several conditions to support the betterment of the learning environment (Tinto, 2002). These changes must be universally shared at the institution for the potential image of the organizational systems on campus to facilitate a path to lead an academic profession (Guskin & Marcy, 2003). Lowry and Hanges (2008) makes suggestions in how an institution may better the organizational climate and diversity of the structural transition. Partnerships can be made with outside sources to create organizational and service improvement as a form of good practice to adopt new assessment initiatives for better forms of restructuring. Begley, Buchan, and Dirmagl (2015) examine how institutions cope with these external changes. They focus on the reproducibility of the organization and argue that the positive circulation for utilizing available resources to be invested into campus members is important for the robustness of the institution in a competitive market condition for higher education.

THE PROCESS OF RESTRUCTURING IN PRIVATE INSTITUTIONS

The role of private institutions.

Private institutions have experienced closures and mergers over time. Compared to public institutions, their financing tends to come from external resources such as private endowments, and funding often depends on environmental changes. Bate and Santerre (2000) indicate that their closures and mergers are more frequent when they experience shrinking enrollment and rising faculty and staff salary. Their research also shows that institutions with support from religiously affiliated foundations are less likely to close and merge compared to secular institutions. The emerging inflow of public institution reform toward marketization creates more competition in the private sector, and existing private institutions must find other survival strategies in the higher education system. Beyond the original role to provide public support to the masses, they should market themselves by creating a distinct identity. Private institutions generally have specific assets, such as dependency of investment capital, higher job placement records, freedom from traditional curricular, and state of the art technology compared to public institutions (Breneman, Pusser, & Turner, 2006). These specialties allow them to maintain their competency, and this enforces the characteristics of private companies for pursuing benefits in the postsecondary education field. Furthermore, acceleration of student cohorts who come from diverse backgrounds creates another academic climate focused more on multi-cultural components on campus. In this aspect, private institutions play a role in reproducing brand-new skills in order to meet students’ need for better knowledge transfer (Grubb, 2003). They tend to emphasize unique institutional missions toward targeted populations and try to optimize the use of their resources for maximizing expected outcomes. The greater market permeation through business-centered curricula is one of the distinguishing characteristics of recent approaches to the learning process in the institution (Mars, 2009). Additionally, growing concerns and interests in recent higher education
transformations and restructuring are closely related to institutional efficiency, and private institutions have a social responsibility to respond to external demands as a whole (Mok, 2011). In this aspect, while public and private institutions share common educational values, the line to differentiate the two areas has become diminished and their role more complicated.

The constraint of restructuring private institution and their innovation strategies.

Private institutions respond to external changes differently and have unique institutional priorities in comparison with their counterparts. While public institutions deal in the normative environment, social cohesion, and nonmarket components, private institutions consider potential economic gains and focus on their relationship with potential customers, students and parents (Casile & Davis-Blake, 2002). The shift of public institutions toward technical environments such as employment outcomes and return of investments allows private institutions to reconsider the existing concept of resource allocations. The new suppliers of the competitive market cause a decline in the potential outcomes of individual participants, and existing participants can create new markets or substitute weakened linkages of new suppliers. There are still potential customers to demand public values in the higher education market, and some participants can support the needs for disadvantaged groups who have less access to higher education. The continuous institutional interests for public education create potential social welfare as a whole although the institutional behavior based on public values do not directly benefit from the policy execution. If they can earn advantages, such as tax exemption and state appropriations that public institutions have, the new experiment of restructuring in private institutions will continue. Some institutional functions can be shared with each other and those that are independent often lead to better performance. Such collaboration costs money, and several universities such as University of Virginia and William and Mary are already executing it (Couturier, 2005). Other hardships private institutions are facing consist of unstable decision making processes and variable financing sources. While accredited top-level decision makers decide internal curriculum and services and enjoy academic freedoms, they should innovate the administrative structure and learning environment continuously for better efficiency. The balance between institutional authority and financial robustness is essential in the competitive higher education market. Private institutions consider positive circular rotation from students to alumni for more social supports. Say (2010) indicates that while economy of scale is present in the higher education system, the logic is not cost-effective for universities and colleges. On the other hand, the increase of undergraduate enrollment does not guarantee the same size of graduate enrollment and research performance in the long run. Private institutions can adapt their restructuring plans around this phenomenon, training a certain size of potential workers who emphasize public values. The renovated institutional strategies include various research programs and training under public philosophy, theology, and science (Scott, 2010). The system causes these schools to become more specialty-focused, which is and a market survival strategy. Furthermore, the academic exchanges, student exchanges, and research collaboration stimulate individual academic activities on campus and provide additional networking possibilities among university governances (Lee, 2012). Private institutions may incur significant public costs and their benefits in the political structure such as lobbying (Pusser, 2015) and create another criteria for better institutional performance.

Required components for better restructuring of private institution.

There are multiple components for better restructuring of institutions. Among those components, the four indicators in this study play a critical role to provide some concepts for better institutional reform. First of all, when the private institution considers institutional restructuring, one of the most important components is revitalizing their unique identity. The restructuring of institutions sometimes changes their mission or objectives according to the goal of the restructure. For example, adding a new program, changes in degree-granting, and other drastic curricular alterations create a new institutional identity (Levin, 2002). Cavanaugh (2013) also focuses on the adoption of competency-based programs to substitute existing assessments and evaluation at institutions, which may evolve into new functions and coordinated system of learning process or credentials. Although those curricular changes create new institutional identity to buffer external uncertainty, the internal structure of institutions still require to ensure its quality. For better restructuring of the institution, faculty members play a critical role in attracting potential students. Under the current financially strict condition of the higher education system, institutional leaders tend to focus more on individual research performance and ability to bring in external sources to the faculty members. However, the gaps between pure teaching and pure research are unclear, especially regarding which components are more beneficial in order to improve academic performance (Norbis, Arroyo-Wastavino, & Leon, 2003). On which components the institutions focus more is related to resource allocations and the balance of the required to-do list, as a higher education institution should underline clear pedagogical values. In this aspect, as a mediator between institution and students, faculty members can handle the proper level of management by function. Furthermore, better restructuring is identified from their own data and experiences, as well as successful records of prior change (Herr, 2006). The accumulated institutional experiences guide institutions to eliminate redundant tasks and errors related to
restructuring. Meanwhile, institutional changes drastically alter the internal structure such as governance, service, and administration. The structural balances between specific institutional functions are important because the equilibrium helps institutions resolve the organization’s ambiguity of purpose and improve critical thinking of individuals for a better oriented structure (Kelling, Underhile, & Wall, 2007). Geiser and Atkinson (2010) examine the case of restructuring postsecondary education in California. Their findings show that the links between four-year institutions and two-year institutions are essential to improving educational attainment as well as college completion. To be more specific, they emphasize the successful link transfer from two-year institutions to four-year institutions for better restructuring. This connection provides more enrolled students, which supports the financial structure and creates comprehensive networks among postsecondary institutions. Though this may have an opposite policy direction from the current college completion agenda. The emphasizing of student recruitment can undermine academic outcomes in the long run because of the reverse relationship between increased enrollment and academic quality in prior studies (Stone, 1995; Lei, 2010). Another consideration is that the leadership at the time of transition is crucial to determining the direction of institutional restructuring. Private institution leaders take into account potential risks of their reform and have a social responsibility to manage the student body. They estimate upcoming external change and increase their own competency against their public counterparts. Transformational leadership can provide leverage for continued institutional existence and development (Hempowicz, 2010). In this aspect, the institution leaders should be careful about restructuring that is related to the change of institutional size and affects their ability to manage their institution. Lastly, better restructuring is not only an internal shift, but also needs social inclusion as a community entity. Pierce (2011) describes the role of social inclusion in a postsecondary institution based on structured interviews with professionals. The institution resolves conflicts between their educational philosophy of departmental requirements for courses and graduation and the outcome of social inclusion. In other words, the institution tries to narrow down the gaps between relatively slow internal reform and flexible social demands by using changes of institutional policies and practices. Students expect various kinds of social returns through college education. Private institutions actively respond to their demanding standard for educational experience and future prospects of employment (Pierce, 2011). The growing engagement of student perception to choose their future college enables the institution to maintain its recruitment competency in the market, and the social coherences with other members including parents, friends, and teachers lock prospective students in their institution (Shah, Sid Nair, & Bennett, 2013).

PROPOSED RESTRUCTURING OF PRIVATE INSTITUTIONS

Private institutions are trying to differentiate their internal structure and increase entrepreneurial fundraising in order to survive in the higher education market. These efforts often create institutional convergence in governance structures and cause positive spillover across the institution (Pusser & Turner, 2002). This interdependence is not only independent market mechanism and under the collaborative relationships between each institution. Growing concerns of public institutions in the market invade the private areas of the market, and the private sector needs to respond to this environmental change. This paper suggests the ‘value exchange’ between private and public sector. The growing invasion of the public sector weakens public values, and the private sector substitutes it as other players in the market. Also, it is a good strategy to escape from institutional isomorphic changes. With following administrative supports such as state funding, private institutions have an opportunity to project unique institution images, which help them to survive.

Figure 1 describes the steps of restructuring of private institutions based on the four concepts of required components above. The campus members include board and faculty. Academic administrators complete complicated organizational tasks together, creating new institutional images based on the unique pattern of reform. The four components are not generated independently and interact each other at certain points in the decision-making process. This interaction presents the direction of the restructuring organization as a figure of shared governance, collective bargaining, and role of structural choice (Pusser, 2005).
Pusser (2006)’s continued study with others shows the possibility of trustee networks at private institutions. The networks may stem from the need for institutional resources and other endowments. The net benefits of these linkages reveals the appropriation of institutional collaboration and provides insight into other outcomes for capturing institutional behaviors. The restructuring of institutions is not new in the higher education system. The old version of restructuring has mirrored the change of academic ideology, and the change affects how individual class backgrounds and personal experiences create collective institutional reform (Roseman, 2010). The new perspectives of private institutions also cause them to adopt fluctuations in the market, and so the proposed model should be changed over time.

**DISCUSSION**

The higher education system has experienced different environments and has reorganized its structure to meet external needs over time. While the first postsecondary institutions were required to train small elite groups in order to govern the small communities, their social role has changed to meet growing mass education with growth of the higher education system. Recent decrease in public funding from states requires institutions to make new changes to public institutions and their internal reform has been in a more business-centered direction. In sum, the change of higher education institutions has specific concepts, from private and public perspectives and shows private figures again in chronical order. Institutions should manage the diverse social, political, and economic challenges in the market. They also need to adopt human resource management such as students, faculty, and staff on campus for better institutional performance (Zusman, 2005). Private institutions in transition create a unique image in order to differentiate themselves and try to maintain their internal form without any big structural changes to avoid any organizational turmoil. Resource allocation in the institution requires internal equilibrium for equitable distribution among campus members and reorganization of institutional functions allows for the optimization of academic performance. Those components not only come from internal governance but also are recreated as the result of social interaction. Postsecondary institutions are always in a stage of change (Tierney, 2014), and the new restructuring of private institutions based on public value provide new survival strategies in the competitive higher education market.

This analysis focuses on the institutional role in better restructuring and does not provide diverse policy interruptions to meet the restructuring goal in detail. The value exchange between private perspectives and public notions does not mean the entire exchange of both, and policy may control the range of exchange by using specific measures such as performance requirements. Policy officers can consider the demographic and economic characteristics of the state and influence the restructuring direction for the optimal level of reform (Volkwein & Tandberg, 2008). An alternative is to consider changes of higher education institutions in terms of diversification. Postsecondary education does not exist independently, but is connected with lower levels of institutions. This diversification provides access to different students and guarantees to make more diverse academic climates (Varghese & Püttmann, 2011). States decide how much institutional reform based on public values are available for private institutions under the entire education system. Decision-making also requires the
comprehensive collaboration between relevant stakeholders in the higher education market and those possibilities may provide the direction of further research in the future.

The ideal structure of private institution is not only come from the sum of individual efforts and be derived from the collective voice which means the collaborative team-work. Each part of administrative affairs manipulate their roles to meet potential customer such as students, parents and find an effective way to save their limited resources. Meanwhile, the instructors organize their curriculum to attract students and provide new knowledge or abilities under specific learning environment. The institutional leaders should know that the private institutions have a social responsibility to reflect other voices that isn’t be imbued into public sector and can contribute to improve entire production of well-training workers in the society. The collaboration between the campus members are essential to make the organizational survival for recruitment of potential students and identify their institutional purpose more clearly.

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Authors
Youngsik Hwang, Ph.D Candidate & Research Associate on Project on Academic Success (PAS),
Higher Education & Student Affairs (HESA), Indiana University
Tel: (812) 318-4072
[yh27@indiana.edu]