Creating Sustainable Business Models in Higher Education

Universities at Shady Grove
Strategic Planning Workshop #5

August 27, 2021

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Agenda

1) The Traditional Business Model: Why isn’t it Working?

2) Moving To Sustainable Business Models: What’s the Roadmap?

3) Case Studies: What Does a Sustainable Model Look Like?
Traditional Higher Education Business Model

- Little attention to efficiency/ROI
- Raise prices to cover costs
- Cost+ budgeting
Moving Towards Sustainable Higher Education Business Models

Shifting the Frame from Cost Cutting to Maximizing Return on Investment

If we are to provide access and affordability, ensure equity, and increase attainment in a world of constrained resources...

then we must get a better return on investment from current resources through understanding levers to change the business model...

which will require a strategic approach connecting financial practice with institutional change models and culture.
What Do We Mean by ROI?

Transitioning to an ROI lens requires three fundamental shifts.

1. A holistic understanding of resources
2. A focus on unit cost
3. A connection between student success and financial sustainability

Once these ROI shifts occur:

- Cost savings can be utilized to reduce pressures on price increases.
- Institutions are empowered to generate more of the resources needed for reinvestment in growth, education quality, student success and attainment.
- New sustainable business models can be developed.

ROI Means Different Things for Different Stakeholders

- **Students**: Reduced/Stabilized Price, Reduced Time to Degree, Reduction in Excess Credits
- **Institutions**: Increase in Net Revenue, Reduced Unit Costs (e.g., Per SCH, Per Completion)
- **Systems**: Reduction in Duplication of Effort, Creation of Shared Services
- **States**: Increase in Attainment, Reduced Cost per Completion, Addressing Workforce Shortages
- **National**: Stewardship of public resources
Connecting ROI to Student Affordability, Access, & Equity

Historically, affordability has been approached with revenue-based solutions. ROI solutions look to reduce the cost of delivering quality learning that leads to a credential.

Revenue Solutions
- Increasing governmental support (state/local)
- Philanthropy
- Increasing financial aid

ROI Solutions
- Understanding programs and services that generate net revenue
- Streamlining support services
- Aligning resources with student success investments
- Removing obstacles from attainment pathways
- Tracking metrics that demonstrate unit cost and student success

Result of Using ROI Solutions
- Reduction/stabilization of cost, taking pressure off of price increases
- Increased efficiency in delivery of programs and services
- Alignment of affordability/attainment strategies with resources (people, time, and dollars)
Sustainable Business Models: A Roadmap

• Shared Future Vision – Start with the end in mind. Confirm or create what you are changing toward.
• Strategic Platform – Identify the strategies to be implemented, plan of finance and success metrics.
• Service Lines – What products or services will we offer that align with mission and the needs of our stakeholders?
• Pro Forma Modeling – Test the business model to create accountability and transparency around where the money comes from and where it goes.
Creating A Shared Future Vision

- In order to align resources and strategy, all organizations require a clear shared future vision.
- This shared future vision serves as a "north star", and supports the organization to become:
  - More externally focused on member need
  - Better attuned to Mission, Market, and Margin® opportunities

E.G USG as an "Innovation Hub" for USM institutions
Strategic Platform Sample

By 2023, we will be the nation’s leading resource for scaling best practice to drive college completion and workforce connection for first generation and students of color. — Shared Future Vision (SFV)

Create Opportunities

1. Streamline program offerings to shift resources to cohort based capacity building.
2. Launch new foundation funded initiatives around the ROI of DEI.
3. Create new center for workforce development initiative and advisory councils for financial, health and retail services.
4. Launch new service line to support consulting offering.

Build Infrastructure

1. Implement new LMS.
2. Create new asynchronous and synchronous content to support cohort capacity building.
3. Establish new strategic partnership with workforce lead in 5 focus states.
4. Develop revolving loan fund to support seed investment under performance funding structures.

Rebrand & Launch

1. Conduct market research to test strategic positioning.
2. Develop new name and logo.
3. Update all marketing and informational print materials.
4. Overhaul website and other digital assets to align with new brand.
5. Launch marketing campaign to communicate new positioning.

Three-Year Budget:

Transition Costs (Consulting, Severance, Legal):
$1,710,000

Content Redesign:
$1,000,000

Personnel to Support Research and Partnerships:
$500,000

Rebranding, Marketing, and Related Initiatives:
$500,000

Tech Infrastructure Updates:
$1,000,000

Total Investment:
$4,710,000

Strategies

- Percentage of current members participating in new service lines.
- Net financial impact from new service lines.
- Number and value of grants received

Metrics

- New content modules created
- Workforce leads in place.
- Initial loan fund capitalization

- Direct traffic to website
- Media inquiries
- Number of applications for open positions
- Demand/yield for learning opportunities
What’s a Service Line?

• A service line is a grouping of all of the products and services related to one particular division of a business.
• Creating service lines allows an organization to aggregate revenue and expense, highlighting how the organization “earns a living”, i.e. where it’s net revenue drivers are.
**Identifying Service Lines: Four Key Questions**

<table>
<thead>
<tr>
<th>Service Lines</th>
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</thead>
<tbody>
<tr>
<td>Who are our customers?</td>
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<tr>
<td>What do they need?</td>
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<tr>
<td>What are we good at?</td>
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<tr>
<td>Where are the best mission/market opportunities?</td>
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Case Study: ACE Engage Platform: Affordable and Flexible Professional Learning at Scale

Challenge: A new model was needed to engage members and support personalized, professional development at scale.

Results:

- Revenue diversification through a subscription-based model that increases access for individuals and institutions
- New paywall to support member value and a new fee for service approach
- Enhancement of program and service offerings, including access to subject matter experts, peer-to-peer learning, and role-based studios
Case Study: KnowledgeWorks Foundation

**Challenge:** Diversifying the Revenue Stream

**Results:** The foundation created a new fee for service model, allowing it to diversify revenues and expand its role from best practice identification to capacity building and implementation support.

**Lines of Service: What We Do**

**INSPIRE**
- Publications
- Research
- Storytelling
- Convenings
- Presentations & Workshops
- Thought Leadership

**DESIGN**
- Advocacy
- Policy Development
- Strategic Partnerships
- Toolkits, Continuum and Frameworks (laying groundwork for BUILD)

**BUILD**
- Systems Capacity Building (SEAs, LEAs, Community, etc)
- Human Capacity Building (PD, Networks, etc)
- Innovation Capacity Building (Pilots, "Remake", etc)

**Evaluation & Continuous Improvement**
- Communications + Development + Operations
Vermont State Colleges System

**Challenge:** Little leveraging of the System, and an unsustainable business model

**Results:**
- Creation of analysis and action plan to consolidate all four year institutions into one institution
- Rightsizing of the academic portfolio
- Creation of a common curriculum across the System
- Identification of academic efficiencies to drive cost savings and allow for reinvestment
Pro Forma Modeling: Understanding Net Revenue

Professional Development Has Largest Net Revenue

3 Year Average Net Revenue

- Professional Development: $197,734
- Organizational Development: $33,405
- Advocacy: $27,399
- Thought Leadership: $22,927
- Assessments of Quality: $21,456
- Consulting & Product Development: ($21,462)
- Networking & Community Creation: ($26,444)
- Education Innovation: ($34,737)
Predicting the Future

Whatever the future may hold, a few things seem clear:

1. Higher education will need to focus on getting more from its existing resources.
2. Transparency and accountability will need to increase.
3. Industry success will increasingly be determined based upon outcomes.
4. The disconnect between industry public goods structures and the private goods external environment will need to be reconciled.
How Can We Jump From One Curve to the Next?

Harvesting Resources to Invest in Innovation

Optimize Current Model
- Resource Reallocation
- Academic Portfolio and Services Assessment
- Data/Metrics
- Awareness
- Current State

Invest in Innovation
- Shared Future Vision
- Increase in Net Revenue and Human Capacity

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Thank you!

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