

Creating Sustainable Business Models in Higher Education

Universities at Shady Grove Strategic Planning Workshop #5

August 27, 2021

Rick Staisloff



Agenda

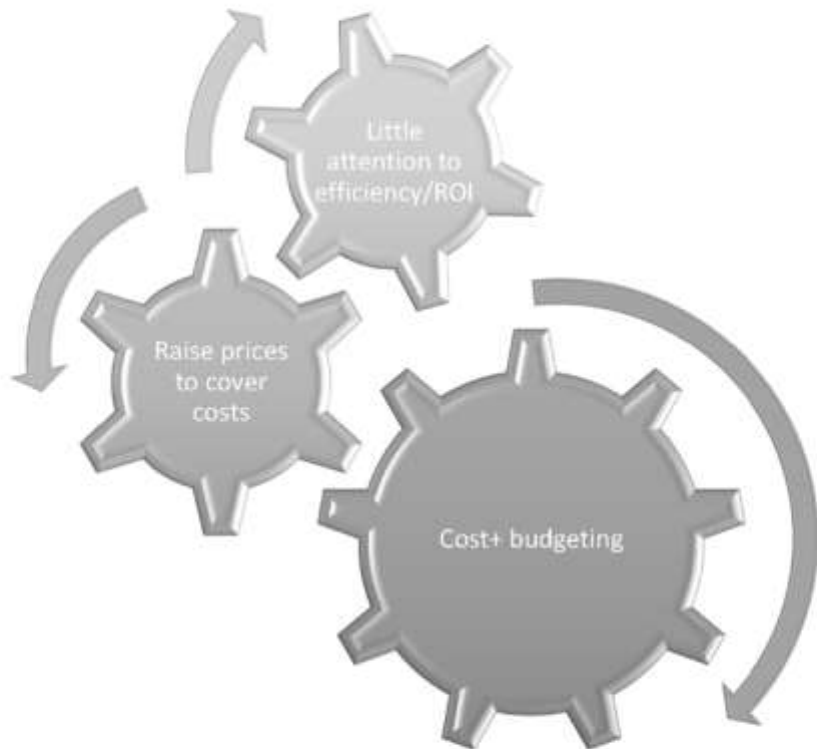
- 1) **The Traditional Business Model:** *Why isn't it Working?*
- 2) **Moving To Sustainable Business Models:** *What's the Roadmap?*
- 3) **Case Studies:** *What Does a Sustainable Model Look Like?*

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Rick Staisloff, Senior Partner



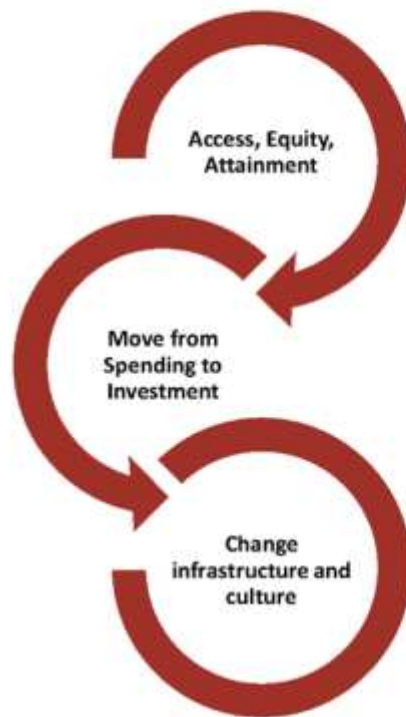
Traditional Higher Education Business Model



Moving Towards Sustainable Higher Education Business Models

*Shifting the Frame from Cost Cutting to **Maximizing Return on Investment***

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



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

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

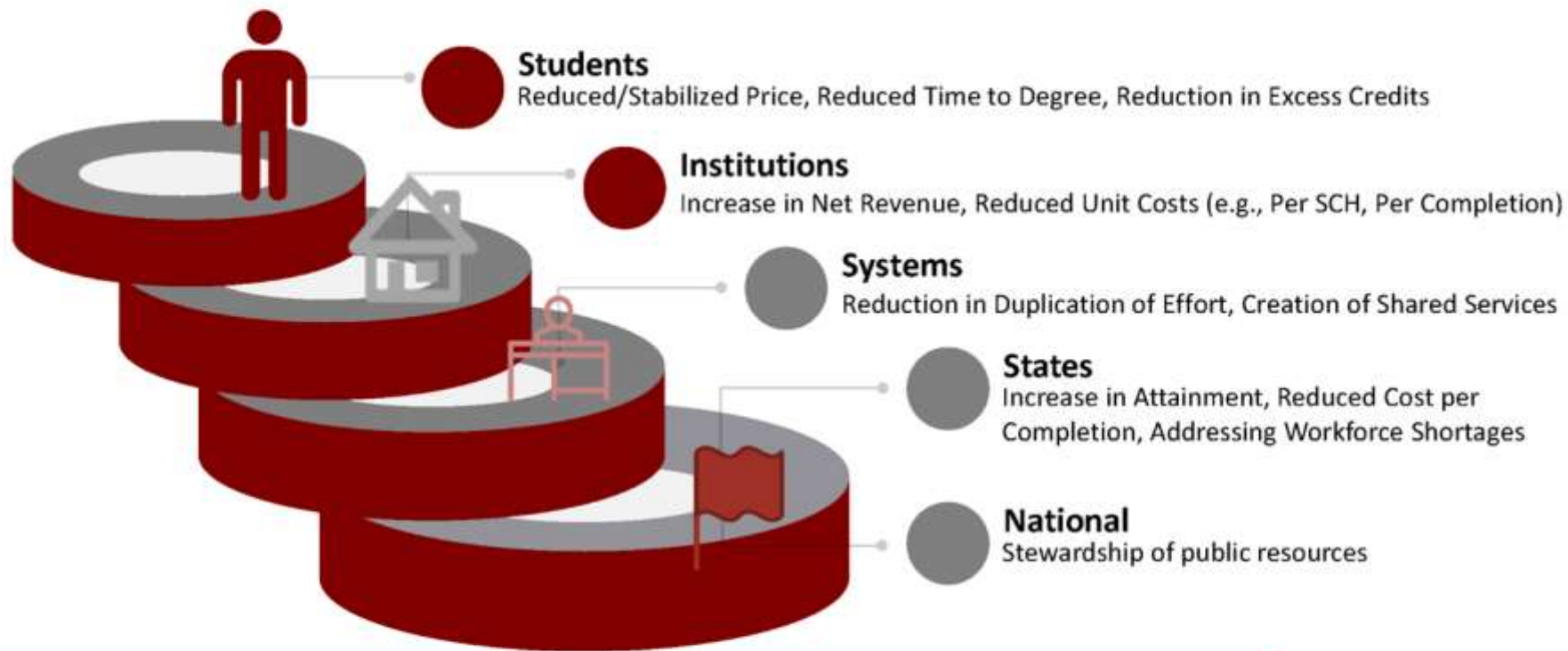
3

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



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	ROI Solutions	<u>Result of Using ROI Solutions</u>
<ul style="list-style-type: none">• Increasing governmental support (state/local)• Philanthropy• Increasing financial aid	<ul style="list-style-type: none">• 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	<ul style="list-style-type: none">➤ 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.

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

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.

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

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.

- Direct traffic to website
- Media inquiries
- Number of applications for open positions
- Demand/yield for learning opportunities

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

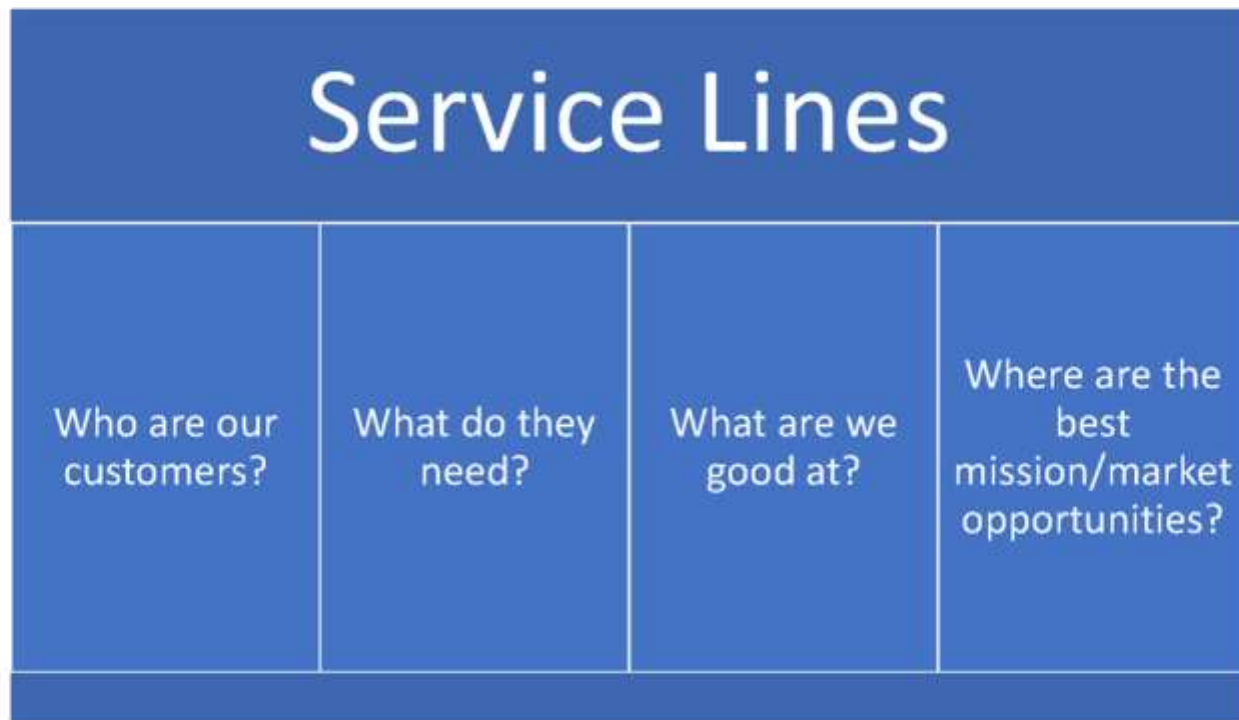
Strategies

Metrics

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.





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



KnowledgeWorks.org

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

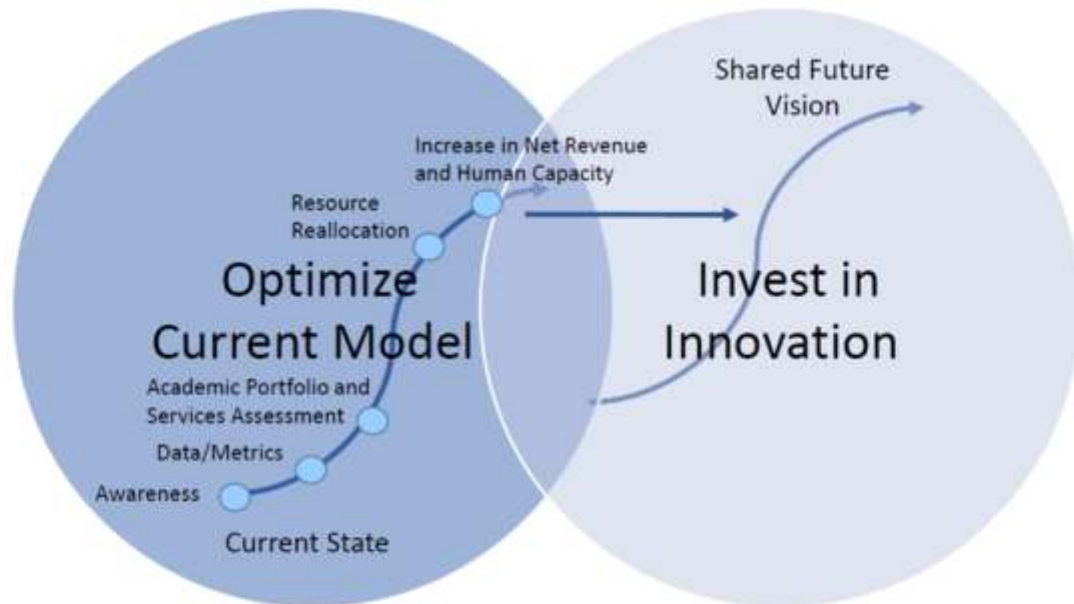
Predicting the Future

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



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Thank you!

Rick Staisloff

rstaisloff@rpkgroup.com