A View from the Outside In: Community Colleges as Entrepreneurial Community Learning Centers.

League for Innovation in the Community Coll., Laguna Hills, CA.

Systems & Computer Technology Corp., Malvern, PA.

2002-11-00


Journal Articles (080) -- Reports - Descriptive (141)

Leadership Abstracts; v15 n11 2002

EDRS Price MF01/PC01 Plus Postage.

Business; *Capitalism; *Community Colleges; Competition; Economics; *Economics of Education; *Entrepreneurship; *Free Enterprise System; *Private Sector; Privatization; Two Year Colleges

According to this article, community colleges are seeking ways to increase revenue and become less dependent on traditional state revenue resources. Increasingly, college presidents and trustees are finding empty pockets and depleted state coffers, despite the effort and hours spent lobbying legislatures for funding to support strategic plans. With no clear path to funding, essential academic facilities, staffing, technology, and other projects are being put on hold. At the same time, community college enrollments are increasing at a dramatic rate. In an attempt to generate funds, administrations are beginning to pursue public-private partnerships wrapped around the educational services market. The author argues that community colleges are positioned to mediate educational services transactions between producers and consumers, creating value for both parties. Using market models, the article examines the position of the community colleges within the educational services space and makes a case for their market characteristics and potential revenue centers. The author suggests that community college leaders explore best-practices organizational models and methods for establishing community college consortia that can capitalize on the educational services market, as well as creating a business plan that details how the consortium will drive revenues and distribute profits. (Author/NB)
A View from the Outside In:

Community Colleges as Entrepreneurial Community Learning Centers

Zane Tarence

Community colleges are seeking ways to increase revenue and become less dependent on traditional state revenue sources. Increasingly, college presidents and trustees are finding empty pockets and depleted state coffers, despite the effort and hours spent lobbying legislatures for funding to support three- to five-year strategic plans. With no clear path to funding, essential academic facilities, staffing, technology, and other strategic projects are being put on hold. This reduction in resources occurs at the exact time when community college enrollments are increasing at a dramatic rate. In an attempt to generate funds, creative administrations are beginning to pursue public-private partnerships wrapped around the very attractive educational services market.

Many community colleges are discovering that they have a distinct, competitive position in this lucrative market, and they are poised to profit because of several comparative advantages, including credibility as proven educators and strong corporate and community relationships. Innovative institutional leaders are detailing how to benefit handsomely from this market space and how to outmaneuver the aggressive and hungry for-profit companies. Community colleges find themselves in the enviable position of being able to organize and choreograph the distribution of training, content, instructional technology, and services around the needs of the educational consumer, offering a new and compelling value proposition for this rapidly growing market.

Community colleges are especially positioned to mediate educational services transactions between producers and consumers, creating value for both parties. Innovative leaders are beginning to leverage the opportunity to consolidate the fragmented educational services markets by organizing sellers (suppliers of training, technology, content) and buyers (end users, corporations, governmental agencies, K-12 school districts, not-for-profits) in a rich, value-added environment. As a result, new market efficiency is being created by aggregated demand for suppliers and aggregated supply for customers, all intersecting with the community college as the nexus for aggregated services. In this model, the community college becomes the trusted point of entry for educational services by reducing the search and evaluation costs for the end consumer. The business opportunity is significant as community colleges artfully connect millions of learning consumers to thousands of suppliers of learning and technology in a context that is created, owned, and controlled by the community colleges.

Community colleges are poised to develop a fertile context for learning and training that is best-of-breed and defensible in the market by adding value to the learning transaction that benefits the customer. Value is added by skillfully selecting, organizing, pricing, providing scale, and matching educational services and offerings to the end users’ needs. Intentional execution will allow community colleges to facilitate and
channel billions of dollars worth of learning transactions through their coffers and ultimately establish themselves as the premier distribution vehicles of learning for a lucrative and growing market. Nationally, community colleges have the opportunity to be the Wal-Mart of high-quality, well-defined educational services, and no other market player has the ingredients to compete in this space if institutional leaders engage wisely, with authority and creativity.

**Competitive Positioning**

Several opportunity accelerators raise the potential for colleges to prosper in the educational services space:

- Groups of community colleges have the opportunity to join together to build regional and national consortia without significant capital requirements. The physical and relational infrastructure is already in place to capitalize on this market opportunity. Consortium members could distribute each other’s distinct educational services to every major U.S. market and many international markets. Organized into a consortium, community colleges would also have the clout to negotiate exclusive distribution and packaging rights to innovative technology and to choreograph this technology around existing market demand for educational services. The consortium members are now in control of the packaging, presentation, and distribution of educational products and services, realizing exceptional margins and cementing themselves as the educational services and solutions distribution channel of choice. Any firm desiring to reach this lucrative market would be eager to partner.

- Community colleges have a reduced customer acquisition cost, thanks to their presence in the community and history of delivering valuable educational certifications. Newcomers to the local market incur very high customer acquisition costs; therefore, they must support the cost of acquisitions with a higher profit model. For decades, community colleges have been the established provider of learning services and training to regional and local end users as well as to local businesses. Community colleges have the traction to build upon their market share and emerge as the ultimate distribution channel for educational services. However, a careful and intentional strategy must be put in place to strengthen and grow their position in the distribution and acquisition space. Hit-and-miss strategies are not sufficient to fully capitalize on this position of strength.

- Community colleges have credibility as proven educators and trainers. Their credentials are not disputed in the market, as they possess the necessary pedagogical skills to deliver effective training. Subject Matter Experts (SME) and instructional designers are readily available to community colleges, and competitors have a difficult time providing the appropriate level of training within the time frame and budget of the typical consumer.

- Leading community colleges have built reputations for embracing instructional technology and delivering it effectively to their customers. The experience gained by college personnel over the past decade in distance learning technology is valuable. As private firms, school districts, and governmental agencies attempt to implement e-learning initiatives, they are seeking consulting and implementation assistance. The opportunity exists for community colleges to outsource the e-learning initiatives of corporations, which allows the companies to focus on their core businesses while ensuring quality of instruction and budget adherence. The e-learning platforms that many community colleges have implemented rival those of large corporations, and these infrastructures and experiences can be turned into revenue streams for the colleges. In-demand courses and content can quickly be incorporated into the college’s e-learning environments and offered on a subscription basis, either as an entire course or as discrete segments.

- Community colleges have the capability to offer a blended learning and training solution. They are poised to cost-effectively set up regional educational Application Service Providers (ASPs). Because colleges can offer the brick-and-mortar experience as well as an e-learning component, they realize an unprecedented advantage over the typical e-learning competitor. Many firms are attempting to thrive in this market with merely a technology play; they are creating elegant learning portals with elaborate choices of learning products. However, end users still desire learning in a blended environment where online resources and learning are complemented by engaging classroom environments, group activities, and lab experiences. The geographic presence and physical infrastructure enjoyed by community colleges provides an immediate competitive advantage. The costs of creating a local infrastructure present a major barrier of entry for potential competitors and a significant advantage for colleges.

- There are no entrenched competitors in the educational services market. This market is highly fragmented, and it is difficult for a national private company to establish local markets. This fact alone provides for an excellent partnering environment where niche competitors will seek to establish distribution agreements with college partners.

- Execution risk is low. Because of the extensive experience in workforce development training and the
robust continuing education programs of many community colleges, the nuisances of operating a training and services business have been ironed out. Strong corporate and community relationships already exist that allow community colleges to collapse the ordinarily long sales and business development time frames in this market. The political environment is also favorable, considering that local and regional politicians are usually pro-community college and will assist in obtaining lucrative regional training contracts. Because of the status of community colleges, grant opportunities are readily available to create and operate various learning initiatives. The goal should be to cover the development costs of the programs with grant funding and then move these programs into the commercial market. The organization of the community colleges allows for minimal additional operating expenses while building a nice revenue stream. Other market entrants have high start-up costs as they build infrastructure and a sales team. Community colleges have reduced the transaction costs of learning and therefore have the business model to keep down these costs.

- Community colleges can bond the customers to their brand and keep them coming back for all lifelong learning needs. The promise to customers is quality, affordability, convenience, sanctioned training, and learning from a trusted local provider. We believe the learning customers will settle on a single trusted supplier of educational services that will ultimately command a large share of their training and educational dollar.

**Market Characteristics**

The addressable learning market (nonmilitary) in the U.S. is a monster $735 billion market. This market can be divided into the following major segments: corporate, higher and continuing education, and K-12. The learning market is growing at a rapid pace in all three sectors as our economy continues to morph into a knowledge economy where skills and knowledge are highly valued. Two pervasive mindsets fuel the growth of the educational services market: (1) Individuals understand that their earning potential is directly tied to their level of education, and (2) Businesses and organizations are finding that organizational knowledge is the last frontier to producing competitive advantages.

Currently, most learning consumers purchase learning resources, training, and educational services from a patchwork of suppliers with whom they maintain loose, independent relationships. Consumers have often paid premium prices to low-quality providers that could not offer the level of the certification that the learner desires. Community colleges have respected brands and the academic and instructional staff required to customize their educational offerings to the consumers’ needs.

The market attractiveness is evident in the meteoric rise of for-fee education providers. Companies such as Apollo Group, DeVry, ITT Educational Services, Sylvan, Kaplan, Strayer Education, and traditional publishers are jockeying with focused strategies for the local learning markets while rolling out impressive national expansion models. New investment money is flowing even in the current economic downturn, signaling that capitalists sense a market opportunity. Other industry outsiders are invading the educational services market with new business models and highly digital infrastructures, and they are offering educational consumers extraordinary value. Community colleges are subject to being outsmarted, outmaneuvered, and ousted from their rightful position in the local and regional educational services market. With careful planning and execution, institutional leaders have the opportunity to firmly establish themselves as the gatekeepers and context builders for the learning economy.

The e-learning and training sector of this market enjoys a 100 percent annual growth rate, according to International Data Corporation. With the advent of powerful Learning Content Management Systems (LCMS) and ASP models, education providers are attempting to go straight to the end customers. Technology changes the rules for learning content delivery because it allows distribution costs to drop to almost zero. Community colleges are positioned to aggressively plant the flag on the learning-markets territory and claim it as their own.

**Potential Revenue Centers:**

- High-demand specialized training
- Digital content creation for online learning repositories
- Demonstration centers for technology companies
- Incubation contracts for learning and training technologies
- Leasable high-end electronic classrooms and holoconferencing suites
E-learning consulting and workshops
Professional development and technology training for K-12 educators
Regional educational ASPs

Suggested Actions (Plan, Do, Check, Act)

- Begin to explore best-practices organizational models and methods for establishing community college consortia to capitalize on the educational services market. Interconnected community colleges can pool resources and local market influence to invent and deliver exceptional value to the learning consumer. Initial consortium membership selection would be based on current leadership, corporate and consumer training potential, quality and reputation of instructors, technology and design infrastructure, and relationships with strategic business industry segments.
- Create a business plan that clearly details how the consortium will drive revenues and distribute profits. This strategic blueprint should serve as a compass toward reaching milestones and revenue targets while describing partnerships and revenue-sharing models. It will also serve as a capital-raising document to bring in corporate venture investment from publishers, technology providers, telecommunication firms, and venture capitalists. It should be anticipated that outside funds would be needed to build the management team and support the consortium’s efforts until profitability occurs.
- Recruit a management team to organize the consortium, execute the plan, build partnerships, and drive revenues. Human talent is the key to successful execution, and experienced leaders should be sought to lead the consortium and organize the individual college project teams and contributions.
- Aggressively seek partnerships with leading publishers, content providers, technology and services firms, and any other entity that wants to deliver products and services to the educational services market.
- Continually monitor and tune the model for optimum results.

Educational Entrepreneurs

Community colleges are in a special position to reconfigure the way educational consumers get serviced because they already hold the ability to deliver a compelling new educational value experience focused on end-user needs. Institutional leaders are positioned to creatively organize a new set of value offerings and services as well as the supporting resources, structures, and processes. By building on their current infrastructure, offerings, credentials, and customer base, they can secure the learning market for years to come and bond customers to institutions.

Community colleges have the ability to combine learning technology with content and then wrap high value around this content through creative packaging and presentation, such as certificate programs, corporate seminars, e-learning modules, and real-time skill support systems. Community colleges should partner with each other to form consortia that transform today’s $735 billion fragmented and inefficient educational markets into a scalable business. The ability to partner and create effective relationships within a regional market will allow groups of community colleges to create a national brand. Suppliers of training, technology, services, and publishers will clamor to partner with this national consortium of community colleges that can give them direct access to the market.

The community college has the real potential to become the Community Learning Center, catering to the needs of training in all stages of life. Because community colleges can connect directly with the customer, they could threaten other learning providers. Community colleges are able to offer the key—customer value of convenience—to the end user. By facilitating the distribution of learning transactions and by maximizing the customer’s value through price, selection, quality, brand, delivery, and payment options, community colleges can become the regional and national centers of lifelong learning.

Zane Tarence is CEO of Reveal Technologies.

Mark David Milliron, Editor in Chief
Boo Browning, Associate Editor

BEST COPY AVAILABLE
NOTICE

Reproduction Basis

This document is covered by a signed "Reproduction Release (Blanket)" form (on file within the ERIC system), encompassing all or classes of documents from its source organization and, therefore, does not require a "Specific Document" Release form.

This document is Federally-funded, or carries its own permission to reproduce, or is otherwise in the public domain and, therefore, may be reproduced by ERIC without a signed Reproduction Release form (either "Specific Document" or "Blanket").