

Four 'Business Model' Scenarios for Higher Education: An Introduction to Strategic Planning Through Storytelling

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This document and its related research has two purposes: (1) to equip higher education executives with a set of planning tools that enable actionable, institutionally aligned strategic planning through transparent communication and participation; and (2) to highlight several trends and technologies important in institutional strategic planning for the next 10 years.

Key Findings

- According to Gartner experience, more than 60% of higher education IT strategic planning is isolated from the institutional strategic planning process, or the institution doesn't have an institutional strategic plan, or strategic plans are not linked to the budget-planning process.
- The technology of today is a disruptor of old business/institutional models as well as an enabler of new business/institutional models. Institution strategic planning cannot be done without considering the impact of IT.

Recommendations

- Higher education CIOs who want to become the trusted business partner need to address the core mission of the institution in order to be able to make relevant contributions to the senior management and strategic planning.
- Higher education CIOs should use scenario-planning methodology — strategic planning by storytelling — to involve, communicate with and align with institutional stakeholders.
- Higher education CIOs should only use Gartner's higher education "business model" scenarios as a context and guide in forming their *own* strategies, focusing as much on the collective journey as the end goal.

ANALYSIS

Many higher education CIOs and increasingly their CEOs (presidents, rectors, vice chancellors) are struggling with the question:

What key investments in information technology will be most strategic in positioning the institution for long-term success in fulfilling its mission?

IT has become a game changer, and in order to optimize the yield of the institution, all resources have to be taken into account. The impacts of people, process and technology cannot be separated from each other. Higher education institutions are finding that strategic plans that have been created in the past no longer fill the needs for strategic and even tactical direction setting. Strategic planning in higher education is often cyclical. Many institutions get into strategic planning based on a change in leadership or executive mandate, and then create plans and put them on the shelf until it is time to start the process over. The cycle seems to be coming back, and many institutions are now beginning to dust off old plans and review and renew those plans. Far too often, institutions continue to follow a process for planning that separates strategic planning for IT from institutional strategic and operational planning processes. According to Gartner experience, more than 60% of higher education IT strategic planning is isolated from the institutional strategic planning process, or the institution doesn't have an institutional strategic plan, or strategic plans are not linked to the budget planning process. While such planning may help individuals involved in the IT strategic planning processes to have a better sense of direction and projected institutional needs, such activities fail to achieve the major goal of strategic planning, which is to set direction and vision and move operations into planning with accountability. This is more commonly thought of as determining where you are going, figuring out how you will get there and determining if you really did get to where you wanted to go. Strategic planning has become strategic even in higher education. But, ultimately, it always comes down to people and how they execute.

A strategy should result in people knowing what to do when there is a choice. A strategy should empower each individual to make the right decision/prioritization in each work-related situation. Therefore, a strategy should be easy to understand and easy to communicate. A key to achieve this is to establish a common institutional view of where we are and where we want to go. An important, well-proven tool for creating a common view is scenario planning or "strategic planning via storytelling" (see Note 1).

A story needs a beginning, a middle and an end. The beginning and anchor point we chose for our scenario planning was the core mission of higher education institutions, some with close to 1,000 years of continuous existence — "to educate and to research." The choice of connecting to the very basic core mission of higher education is driven by the necessity to be relevant to all stakeholders in higher education and avoid the "digital divide" in separate IT and institutional strategic plans that previously have handicapped many institutions.

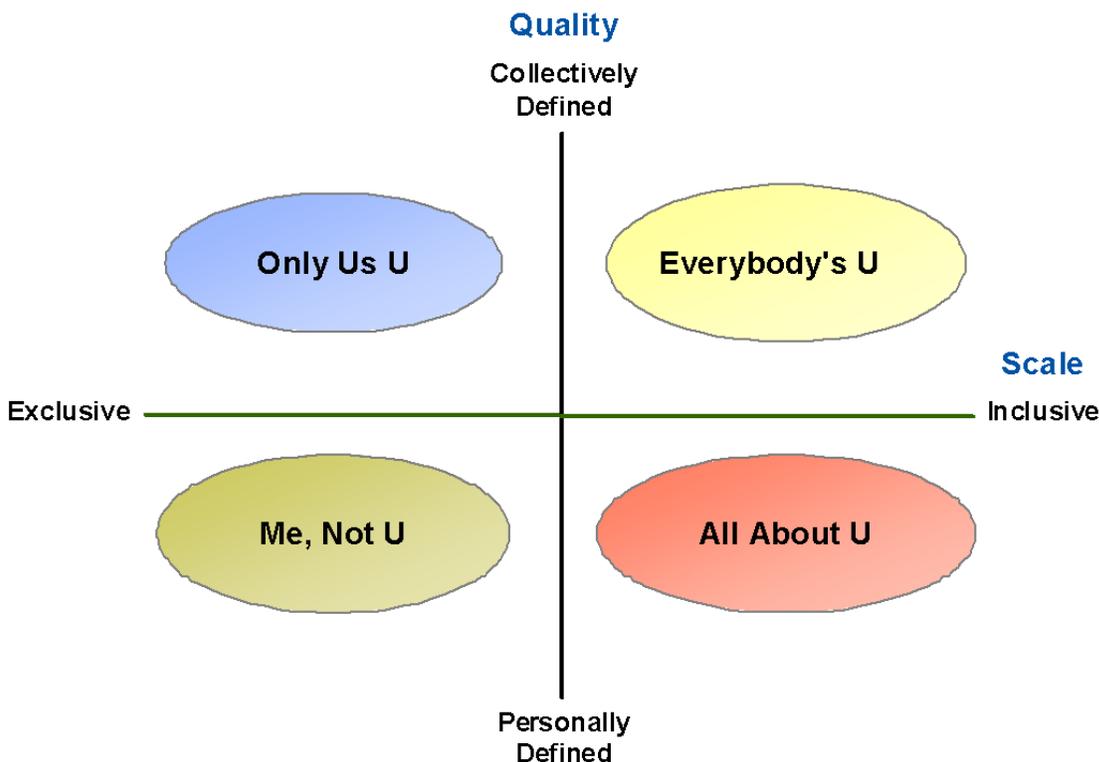
Gartner then followed the methodology outlined in "Scenario Planning: Exploring Possible Futures for Education" to devise our set of scenarios presented in this document. The main focus is the "to educate" mission, as it is the most inclusive mission for the education community; however, the scenarios cannot be dissociated from the impact of the "to research" mission, as it is a foundational part of the Humboldt-type university and the basis for many Western-type universities. In our work to find relevant axes for our 2x2 business model scenario, we used a STEEP (Societal, Technological, Economical, Environmental and Political) framework to ensure adequate spread of important macroforces. The result, in Figure 1, shows that we deliberately did not choose any technology-related axis. Instead, we focused on exploring how the different "business models" outlined by the axis, quality and scale would be affected by technology.

Technology of today is a disruptor of old business plans as well as an enabler for new business models. This means that your institution needs to know how to deal with IT.

The Gartner Higher Education "Business Model" Scenarios

The axes we chose — quality and scale — represent two current key issues for higher education.

Figure 1. Gartner's Higher Education "Business Model" Scenarios



Source: Gartner (September 2009)

Quality of the Educational Experience

Who defines the quality of education? Is it collectively defined, represented by formal government accreditation that comprises one end of the scale? Or is it strictly personally defined, where the individual decides the value received from the educational experience, which represents the other end of the scale? In between, we have, for example, higher education community de facto standards, corporate definitions of learning outcomes and family perceptions.

Today, this issue is crucial in determining how the higher education community will be able to handle the disruptive force of globalization, which is represented in its most extreme form in the Internet-enabled death of distance. The accreditation issue is today one of a few things that stop higher education from meeting the same fate as the media industry. In the media industry, loss of control of the means of distribution severely threatens current business models. If the responsibility for the educational experience becomes personal, the higher education "industry" will open itself up to unprecedented competition.

The quality axis represents to a great extent an external issue that institutions have limited influence on and that is governed by macroforces.

Scale and Scalability of the Educational Experience

How does the educational experience scale? Is your business model dependent on an exclusive brand to attract the right faculty and students? Or is the institution accepting everybody that is interested, regardless of prerequisites and only limited by the resources — for example, faculty and facilities?

This issue involves the increasing tension between the "old school" universities rooted in the monastic tradition with high-touch tuition, and the need for scalability in order to provide for an expanding demand for a skilled workforce. According to World Bank and UNESCO data, the number of higher education students in the world has risen 68% from 80 million in 1995 to 135 million in 2005, and the demand is increasing. This has a great impact on the tools needed or even those possible to use to execute the business plan. Here, too, IT is potentially a disruptive force as well as an enabling force as consumerization of a number of information worker tools leads to loss of control of the means of production, potentially diminishing the need for professors to be tied to one institution.

The scale axis represents more of an internal choice for the institution. In what niche will we want to play?

The Contestants

Scenarios in our version are mainly supposed to be used to expand our imagination by exploring "stretched" consequences, and to equip institutions with flexible strategic plans for the most probable scenarios or contingency plans in the event of realization of less likely scenarios. In a set of four accompanying pieces of research, we unfold the stories and explore some of the circumstances under which each higher education "business model" scenario will thrive or be threatened. The setting we used to interpret and organize the macroforces involved is the STEEP framework, together with the categories of "enablers" and "disruptors." We investigate signposts for each scenario. We also provide institutional management teams with more-specific tools and recommendations in the form of the "technology strategy maps" for each business model scenario.

We use the Gartner Technology Strategy Map developed by Gartner's Industry Advisory Service (IAS) Retail research organization to visualize the technology needs that enable that particular business model scenario to be successful. In our version of this map, we emphasize the inherent need in higher education to balance organizational efficiency and personal productivity. Organizational efficiency focuses on cost-effective standardized processes to drive down the overhead (administrative) cost of an institution and maximize any return on investment from a collective point of view. Personal productivity focuses on individual researcher, teacher and student productivity to maximize the individual experience and satisfaction at the institution.

In the accompanying set of notes, we delve deeper into stories based on these "business model" scenarios:

- **Only Us U:** Today, we find most of the household-name higher education institutions in this "quadrant." Universities such as Harvard and Cambridge exemplify the Only Us U, which has strong roots in the monastic tradition with high-touch, temporally and spatially contained learning. A future extreme would be to go back to that monastic tradition in order to accentuate the institution's uniqueness and high-quality brand. Less than 100 institutions globally are really successful with this business model and the competition is fierce, but the reward is extreme academic freedom combined with many resources per person. Important IT in this scenario would be expensive tools like immersive 3-D Cave

Automatic Virtual Environments (CAVEs) that further underline the institution's uniqueness.

- **Me, Not U:** Today, we usually find business schools in this quadrant, but also faith-based and other schools based on community-defined curricula. For these institutions, the applicability of the skills taught in the context of the community is usually most important. A future extreme would be that Internet-enabled communities in a specific niche would find practical means of operation and economies of scale through the Net; for example, retraining former car manufacturing executives would enable highly customized curricula. Important IT in this scenario would be tools for intellectual property management and privacy, such as identity and access management and security that makes sure that none of this high-prized or sensitive community intellectual property gets "lost."
- **Everybody's U:** Today, we find the bulk of the world's at least 20,000 (+/-2,000; see Note 1) higher education institutions in this quadrant. They range from the public research universities in Europe to the community college systems that are common in the U.S. They all have in common that they have had to answer to the industrialization of education in a modern world that has a shortage of skilled workers. Especially in developing nations and emerging markets, there is a scalability issue that presents the greatest challenge for the future. This challenge is the cause of the future extreme of Everybody's U — the national or even regional giga-university that is basically more of the same but on a much larger scale. Important IT in this scenario is everything that enhances scalability and cost-efficiency, such as e-learning platforms, enterprise resource planning and business intelligence.
- **All About U:** Today, we find only a limited number of higher education institutions in this quadrant (although there is a great tradition in "people's education" in the form of "correspondence courses" and study circles to draw from). One of the highest-profiled and prestigious examples is the U.K.-based Open University. It is in the All About U quadrant where we can paint the most avant-garde scenario. In the lower-right corner, we do not even have institutions in the traditional sense. If there are institutions at all, they are more like brokers of just-right, just-in-time education. Important IT in this scenario is everything that enhances the virtual experience and scales: virtual worlds, social e-learning platforms and self-service administrative Web-services-based applications. Administrative cost-effectiveness and scalability are huge issues, because all the projected 3 billion people with access to the Internet (see Note 2) are potential "customers."

Even though we are trying to purify our scenarios in order to explore the extremes and their consequences, we do recognize that the business models used by most universities will be a mix of the ones presented above. However, we strongly believe that an institution cannot be all at once, and that the impact of technology is that higher education institutions will have to make more conscious decisions on what their business model is as well as increase specialization in order to survive in the future competitive landscape. It is also very important to understand that this is a journey that has to be undertaken by all the relevant stakeholders at the institution in order to internalize and adapt the scenario (story) to the particular institution, its culture, people and mission. The trends, disruptors, enablers and technological choices we paint in this and the following notes should be used as inspiration and guides, not as facts. A strategy and the scenarios that inform it should be owned by the particular institution and its leadership.

RECOMMENDED READING

"Use Gartner's Long-Term Healthcare Scenario Spotlight as a Guide to CDO Strategic Planning"

"Let Customers Help Design Your Technology-Enabled Store of the Future"

"Scenario Planning: Exploring Possible Futures for Education"

"IT Strategy: A CIO Success Kit"

"Toolkit: Building a Higher Education IT Strategy"

"Higher Education Business Model' Scenarios: 'Only Us U': Brilliance for Market"

"Higher Education 'Business Model' Scenarios: 'Me Not U': Edge in Market"

"Higher Education 'Business Model' Scenarios: 'Everybody's U': Scale of Market"

"Higher Education 'Business Model' Scenarios: 'All About U': Speed to Market"

Note 1

Information Source

Data from the World Higher Education Database published by Palgrave in cooperation with the International Association of Universities (www.unesco.org/iau/directories/index.html).

Note 2

Internet Access by 2019

A projection of 3 billion Internet users by 2019 is based on the data in Table 1 (see www.internetworldstats.com/stats.htm), where there is an increased the number of Internet users from 361 million to 1.596 billion in less than 10 years, and the population in 2019 is estimated to be close to 7.5 billion (UN projection). In fact, a 40% penetration of Internet in 2019 is probably a bit conservative considering the exponential growth of the most-recent years.

Table 1. Data From Internet World Stats From 31 March 2009

World Regions	Population (2008 Est.)	Internet Users 31 December 2000	Internet Users Latest Data (31 March 2009)	Penetration (% Population)	User Growth 2000-2008
World Total	6,710,029,070	360,985,492	1,596,270,108	23.8 %	342.2 %

Source: Internet World Stats (September 2009)

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