

The Path to Thriving in a Hyperchanging World

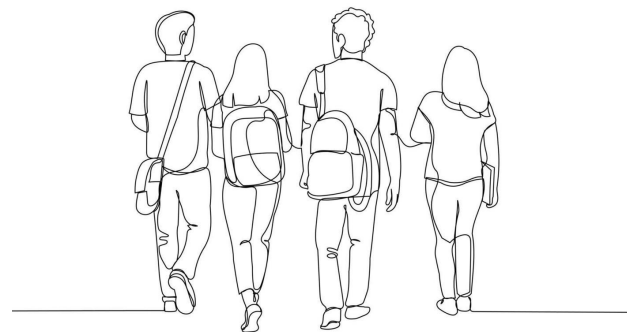


Based on a presentation by Joel English, Executive VP at Centura College, Aviation Institute of Maintenance, and Tidewater Tech, and Wallace Pond, Founder and CEO of the Transformation Collaborative® to the 2023 North American Career Education Convention, July 2023.

Let's start with what we know: Over the past five years, the American attitude toward higher education has changed dramatically. Ten years ago, the four-year university degree was still blindly held up as the standard for a young person becoming a legitimate citizen, and as the marker for success as a parent: "If my kid got accepted into one of the first, second, or third tier universities, then 'I've done it.'" But, as a July 2022 article in Inside Higher Ed concludes, "Most Americans agree: there is increasingly limited value to higher education. Over the last decade, the American public has increasingly lost confidence in the economic benefits of a college degree." And, in world where nature abhors a vacuum, career schools stand to fill in the gaps as a logical and meaningful answer to the "what's next" for students leaving high school.

But career schools can only fill this gap if they are prepared to adapt themselves. **Simply playing around the edges of higher education is no longer viable** for the vast majority of career colleges or any other sector of education. Just because America is no longer believing in the "what's next" answer that it accepted for decades does not mean parents and students will automatically believe in career education as the automatic alternative.

We cannot make minimal, incremental changes to our plans when every foundational assumption on which our story was based has changed. Demographics, economics, markets, public opinion, revenue models, consumer behavior, alternatives to college, a pandemic, and other fundamentals have completely changed since most schools were founded. So, the question is: Are you ready to change? Is your institution prepared to drop its old approaches and adopt a new identity?



The Path to Thriving in a Hyperchanging World

More than 1,500 institutions of higher education no longer exist today that were teaching students in 2010. These include four-year universities, private and public colleges, and career schools, obviously. Many closed, merged, or were acquired under duress, and importantly: almost none of them did anything different up until the day they closed their doors. They may have cut expenses in emergency fashion, laid people off, borrowed money, sold assets, or otherwise scurried about while the sky was falling, but in most cases, they did nothing to become more compelling in a declining market of students, let alone directly address the foundational changes that challenged their viability. Overall, there are nearly 4.5 million fewer students in Title IV-eligible schools today than 13 years ago and about 1.4 million fewer just since 2020. In a declining market, for any college that has more seats than applicants, there are only two ways to grow: take market share from other schools or enter new markets.

So, how does a school transform? How does an institution not change a little, but become a completely different animal? A colt changes into a horse and walks on the same appendages as before; a caterpillar transforms into a butterfly so it can fly on completely new ones. How does a career college transform? In most cases it starts by acknowledging that “doubling down” on what used to work is no longer viable and will likely make the situation worse. **We advocate that institutions embrace the very difficult and sometimes frightening but powerful notion of reinvention.**



To be clear, this requires a radical departure from the status quo in key areas of a school’s existence and operation. In fact, it is so challenging that it almost never happens. So often, the last person willing to admit that the current mission, vision, and identity will not work in the future is the person or people who have been operating under those core principles for so long—those people who invented those principles in the first place. A college president who excelled under a set of strategies 10 years ago is unlikely to say “these strategies suck” today, and a college owner whose family has thrived for two or three generations under one core identity is highly unlikely to abandon those old ways going into a changing world. In most cases, colleges will actually choose to fail before they will choose the hard work of transformation! But not everybody.

The Path to Thriving in a Hyperchanging World

In 2015, the 20 campuses known as Centura College, Aviation Institute of Maintenance, and Tidewater Tech were suffering some of the same relevance issues that many now-closed institutions were facing. The schools enjoyed the same ups and withstood the same downs as most institutions during its 50-year history under the same single owner/operator.

However, 2015 was different. In addition to declining enrollments since 2012 like most career schools experienced, the schools had CDR problems, its accreditor (ACCSC) imposed system-wide reporting for in-field placement classification, and it was losing money for the second year running. Internal communication within the organization was strained, and the institution was failing to communicate externally even the more impressive attributes of the institution (it featured the country's largest group of aviation maintenance schools; it boasted Virginia's largest welding program within a shipbuilding community that thrived on welders; and it lived under the roof of one single owner since its existence—all strong attributes of an organization).



But, because the school continued to try to use the same play book that it had for five decades without any type of authentic re-invention, it was on the road to irrelevance and probably doom. The owner of the institution himself didn't understand that the organization required a complete transformation, but **when his chief operator retired at the end of 2014, he understood that he would need to find leadership that would bring change.**

In April 2015, he hired Joel English to lead change. English had been a Campus Director and Regional Director for the organization for 10 years, between 2002-2013. But partly because of the lack of innovative transformation within the organization, he took a role as CEO at another school group and was away for two years. When the Centura College owner asked him to come back as his Vice President of Operations, English asked: "Are you ready for transformation?"

The Path to Thriving in a Hyperchanging World

English did not start by trying to change out advertising and increase enrollments. English didn't downsize staff or cut costs. English did meet with the Executive Director of ACCSC to understand the regulatory issues that the school faced, but not so he could quickly write a report and get the schools off reporting status, but rather, so he could transform the institution into something it was not. The first transformative action English took on was to develop a contemporary, meaningful, and relevant mission for the institution. He developed and communicated "Seven Strategic Goals" for the institution and presented this vision to every leader within the organization:

1. Reputation and Record: Improve and increase schools' reputation and record with accreditors, states, and the federal government through commitment to excellence, student service, integrity, and active diplomacy. Respond quickly to institutional problems or regulatory issues to keep our schools consistently in strong standing.

2. Community Outreach: Define ourselves as members of the community, seeking to serve students, employers, municipalities, organizations, political figures, and citizens in need
I Dimensions of Transformation for Centura College/Tidewater Tech/AIM Tangible Intangible
The Brand X Its Connectivity X Its People X Its Value X X Its Relevance X Its Innovation X X Its
Vitality X X 'He would need to find leadership that would bring change.'
as an authentic and consistent part of our routine. Serve the community with generosity and compassion to become a valued and trusted resource for higher education, career training, employment needs, and benevolence.

3. Faculty and Staff Morale: Increase the engagement, morale, collaboration, and self-confidence of home office and campus staff. Enhance staff members in every role through engagement, professional development, personal fulfillment, and student service, to develop a highly-motivated, high functioning, and positive workforce.

4. Enrollments: Continue to increase the value of programming and student support, in order to increase enrollments over past performance. Refine advertising, update, and upgrade marketing, and refine admissions practices to create a constantly upward value proposition for applicants seeking to enroll.

The Path to Thriving in a Hyperchanging World

5. Program Development: Refine, phase out, improve upon, and add career-based programs at all campuses. Bring new vocational and avocational programs to all campuses, based on localized employment needs, industry certifications, industry trends, and student employment goals. Draw from the knowledge, skills, and needs of the local communities, program advisory committees, employers, staff, and faculty to continually refine and improve program offerings for students.

6. Classroom Innovation: Develop contemporary teaching approaches to enhance the student experience and develop both hybrid and online learning opportunities to provide students with contemporary solutions to their educational needs.

7. Institutional Growth: Investigate opportunities to strategically and conservatively acquire or build schools to add to our student outreach. Improve upon program offerings, student body, and financial status of existing campuses and build upon the profitability and institutional success of all campuses within the network.

The innovative thing about this vision is probably not the individual priorities—everyone wants more enrollments, new programs, and new campuses. But rather, the order of the priorities. English understood that, until the regulatory record and public opinion about the schools were in a good place, the institution had no business opening new campuses. Until the communities around the schools genuinely appreciated what the students and faculty offered the people around the schools, why would anyone enroll at all?



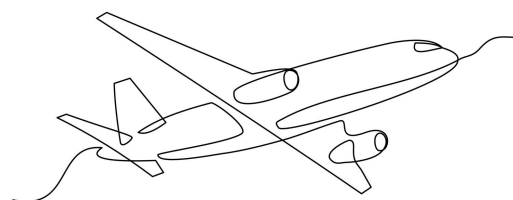
Unless the faculty and staff were content, passionate, and engaged with the mission of the school, how could the school create a content, passionate, or engaged student body? English understood that the institution itself needed to completely transform into an organization concerned with others, not itself, and he led the organization through transformation.

The Path to Thriving in a Hyperchanging World

Within three years, all the school's regulatory concerns were addressed and its record with its regulators was cleansed. In year four, the school designed a community service program where all faculty, staff, and students engage in community service projects as part of their vocational programs, in order to bring the community in to the academic community. At the same time, the school engaged its political leaders, where mayors, governors, representatives, senators, and presidential cabinet members are welcomed into their schools to see how they serve their constituents. And the schools engage in constant internal communications to uplift faculty and staff, making it a fun and engaging place to work, marked by internal promotions and personal opportunity.

The transformation that the schools have undergone over the past eight years have been, make no mistake, profitable. Though the schools lost money in fiscal years 2014 and 2015, they emerged into the black in 2016 and have grown in profitability every year since. The schools have added a dozen new programs since 2016, opened four new campuses since 2019, bought and built out five new campus buildings, and have increased the size of the student body by 33% since 2015. The institution has its strongest EBITDA today, the best in its 50-year history. Over 300 nationally-recognized elected officials have visited the schools, including industry skeptics such as Senator Dick Durbin, Representative Bobby Scott, and Secretary of Transportation Pete Buttigieg. And companies such as United Airlines, American Airlines, Piedmont Airlines, Southwest Airlines, and others not only count on the graduates of these schools, but they also pay tuition dollars directly to the institution's students, in order to secure their workforce for the coming decades. And this enterprise success is not due to its commitment to its decades-old playbook; it is due to the schools' willingness to burn the playbook and transform.

Centura College understood that, in order to grow the business, they had to become relevant in the market as it is, not how it used to be. The future is almost solely about the market. Policy can't be ignored.



Compliance clearly matters. But no school will grow because they hit their 90/10 ratios or licensure pass rate or placement goals. Those are price-of-entry items that are nearly irrelevant to "thriving now" and in the future. Those are things that happen naturally and far in excess of minimums when schools focus on other things such as a compelling product strategy, customer value proposition, life-long customer relationships, deep industry partnerships, workforce development, and non-Title IV revenue streams among other things, and become indispensable in their markets. This is what the Centura Colleges have achieved over the past eight years.

The Path to Thriving in a Hyperchanging World

One simple example is the disconnect between the traditional way career colleges have managed political, policy, and regulatory issues vs. how they must be addressed today and going forward. 90/10 only matters if your institution is dependent on Title IV funding. If employers and other sources pay tuition because what you sell is so valuable in the market, 90/10, 85/15, or any other ratio is no longer relevant.

Defending against political attacks by elected officials disappears when those same officials become advocates because their association with the school has more political value than does attacking the school. English and his schools have achieved both of those outcomes and more. In a relatively short time, they went from underwater with EBITDA to nearly \$30 million to the positive. This was not a result of wringing another 20 basis points out of lead conversion or driving up admissions reps contact time; **it was done through a complete change of heart and mission.**

Transformation is hard, but what we've learned at the Transformation Collaborative®, and what Centura College, AIM, and Tidewater Tech have proven, is that with the right attitude, commitment, and leadership, reinvention is possible—and enjoyable. Although the process is somewhat different from institution to institution due to history, culture, programs, markets, etc., the process is straightforward.



1. Make your school **a place people want to be** (reputation, aesthetics, culture, amenities)
2. Deliver outcomes that are most critical to students through a **value proposition that is life changing** and never in doubt.
3. Sell what **customers want to buy** through a compelling product strategy.
4. Become fully integrated in local communities to the point that the school is **indistinguishable from the community** itself.
5. Drive total **engagement by faculty, staff, and leadership** by making their job the best one they have ever had.
6. **Build relationships**, internally and externally.

The Path to Thriving in a Hyperchanging World

In addition to creating a compelling product strategy and customer value proposition, schools must see their market as the entire post-secondary ecosystem, of which higher education is only a part (and a shrinking part, at that). Post-secondary education is growing rapidly, but if your business is limited to credit-bearing, degree granting, Title IV programs, you are missing out on the markets that students are moving to, en masse.

This does not mean that colleges should abandon traditional higher ed programs, but unless you are the only provider of programs required for employment, it will be almost impossible to grow. On the other hand, schools that build deeply vertical product strategies based on life-long relationships with students, rather than the one and done model most schools follow, will not only stay in the student revenue stream over years or even decades, they will distribute student acquisition costs over multiple programs to the point those costs become negligible. This also requires a combination of degree and non-degree programs, some of which may be offered by partners or even other entities, but that contribute to the student's continued acquisition of credentials over time through your institution. Some programs may be low margin or no margin, but the point is not to generate huge profits with every program enrollment. It is to generate sustainable, mixed revenue with long-term customers over time, often from third-party payers.

Most higher education cultures and organizational structures—even in the career sector—were built to maintain the status quo, not to transform. And possibly most importantly, few leaders have the skills, orientation, and courage to take the risk that is inherent in transformative change. Fortunately, reinvention is possible. It often requires people to get far outside their comfort zone, and often, to solicit the support and resources that can supplement institutional bandwidth enough to make change possible. It also requires that many people change what they are currently doing and have always done.

Ultimately, the problem is not that there isn't enough bandwidth to transform; it's that there isn't enough bandwidth to continue all status quo operations and engage in reinvention at the same time. It is impossible to both crawl as a caterpillar and fly at the same time. We must replace our old appendages completely to take on the new. We cannot tinker around the edges and call that change; we must abandon old ways to take on transformation.

Many schools will ride the status quo into irrelevance or outright closure. We've already seen that well over a thousand times in the career sector alone. But for schools that have the vision and courage to reinvent themselves, there have never been more opportunities in the post-secondary education ecosystem than there are now.

The Path to Thriving in a Hyperchanging World

In addition to creating a compelling product strategy and customer value proposition, schools must see their market as the entire post-secondary ecosystem, of which higher education is only a part (and a shrinking part, at that). Post-secondary education is growing rapidly, but if your business is limited to credit-bearing, degree granting, Title IV programs, you are missing out on the markets that students are moving to, en masse.

This does not mean that colleges should abandon traditional higher ed programs, but unless you are the only provider of programs required for employment, it will be almost impossible to grow. On the other hand, schools that build deeply vertical product strategies based on life-long relationships with students, rather than the one and done model most schools follow, will not only stay in the student revenue stream over years or even decades, they will distribute student acquisition costs over multiple programs to the point those costs become negligible. This also requires a combination of degree and non-degree programs, some of which may be offered by partners or even other entities, but that contribute to the student's continued acquisition of credentials over time through your institution. Some programs may be low margin or no margin, but the point is not to generate huge profits with every program enrollment. It is to generate sustainable, mixed revenue with long-term customers over time, often from third-party payers.

Most higher education cultures and organizational structures—even in the career sector—were built to maintain the status quo, not to transform. And possibly most importantly, few leaders have the skills, orientation, and courage to take the risk that is inherent in transformative change. Fortunately, reinvention is possible. It often requires people to get far outside their comfort zone, and often, to solicit the support and resources that can supplement institutional bandwidth enough to make change possible. It also requires that many people change what they are currently doing and have always done.

Ultimately, the problem is not that there isn't enough bandwidth to transform; it's that there isn't enough bandwidth to continue all status quo operations and engage in reinvention at the same time. It is impossible to both crawl as a caterpillar and fly at the same time. We must replace our old appendages completely to take on the new. We cannot tinker around the edges and call that change; we must abandon old ways to take on transformation.

Many schools will ride the status quo into irrelevance or outright closure. We've already seen that well over a thousand times in the career sector alone. But for schools that have the vision and courage to reinvent themselves, there have never been more opportunities in the post-secondary education ecosystem than there are now.

Reference:

Brink, Meghan. "Public Opinion on Higher Ed Remains Mixed." Inside Higher Ed. July 11, 2022.
<https://www.insidehighered.com/news/2022/07/12/most-americans-skeptical-value-college-degree>