

Ideation Study for UMUC

A Future Proposition

Executive Summary



Mark Gerencser, Chair

John Bates

Joe Bowen

Rich Blewitt

Doug Carter

Karl Gumtow

Paul Jesukiewicz

Doug Lane

Kristine Rohls

Bill Wood

Lori Zukin

The UMUC Ideation Team Comprised Outside Experts and BOV Members

- **Mark Gerencser:** Chairman of UMUC's BOV, retired Booz Allen Hamilton Commercial Practice Leader ranked as one of the top 25 most influential strategy consultants in the world and top 10 game changers in Washington, D.C.
- **John Bates:** Founder of Potomac Equity Partners and recognized financial and business expert
- **Rich Blewitt:** Recognized top corporate issue and crisis management consultant, president of The Blewitt Foundation, and member emeritus and former chair of UMUC's BOV
- **Joe Bowen Jr.:** More than 30 years of experience at USM including serving as the director for the University System of Maryland Foundation and the Alumni Association International. UMUV BOV Member.
- **Doug Carter:** Expert in business process reengineering, technology-driven transformation, organization design, and organizational change management
- **Karl Gumtow:** Founder and president of CyberPoint International in Baltimore, former Booz Allen Hamilton consultant and UMUC BOV Member



The UMUC Ideation Team Comprised Outside Experts and BOV Members

- **Paul Jesukiewicz:** Vice president at Carney Labs focused on research, development, and application of adaptive personalized learning technologies, intelligent tutoring systems, personalized learning profiles, and gaming environments. Member of DoD's Distance Learning Hall of Fame.
- **Doug Lane:** Consulting executive and technology leader with 30 years of experience focusing on technology-enabled transformation and related strategies. Former leader of AT Kearney's Civil Government Business.
- **Kristine Rohls:** Vice president at Booz Allen Hamilton and recognized for providing organizational design, cost reduction, and change management strategies to clients across the private and public sectors.
- **Bill Wood:** Founder of Wood Law Office, LLC. Served on the University System of Maryland Board of Regents and currently on the Board of Trustees of the University of Maryland Baltimore Foundation, Inc., the Board of Directors of the University System of Maryland Foundation, Inc., and the UMUC BOV.
- **Lori Zukin:** Human capital and leadership strategy expert with over 20 years of experience. She specializes in helping leaders and their teams improve their performance through executive coaching, leadership strategy, and organizational design and change.



The Challenge Is Now . . .

- UMUC was a first mover in adult/distance education, set the academic standard, and enjoyed a dominant position and brand in adult education
- Several external forces are disrupting the status quo (new normal):
 - Adult student needs and priorities are shifting and the economics are changing
 - New entrants with quality brands are emerging and taking hold
 - Pricing competition from agile for-profit institutions is intensifying
 - The technology of distance and distributed education is commoditizing (fewer barriers)
 - New learning methods, approaches, and technology disruptions (e.g., MOOCs)
 - Military base reductions are minimizing UMUC's global presence advantage
 - Military and government personnel reductions threaten the enrollment base
 - Related populations (e.g., aerospace and defense contractors) are reducing, too
- UMUC enrollment has risen with the tide but has not taken a disproportionate share in the past; in the new environment, growth depends on UMUC's ability to take share from competing institutions and create new waves of enrollment

UMUC is no longer well-positioned for long term sustainability in this new environment



UMUC Must Reduce Education Costs Per Student Through Volume and Employ New Approaches and Technology to Increase Its Share of Adult Students . . .

- Fundamental buyer needs are changing: for adults, it is about jobs and career advancement
 - need to partner in new ways with employers offering a greater variety of programs and degrees tailored to the dynamically changing needs of their industry
 - including specialized training with stackable certificates
 - job placement and career services to create “fans for life,” not just graduates
- Need to reduce education and training costs to make it more affordable for both employers and students, in Maryland and across the globe
- Focus needs to be student-centric with learning tailored to unique individual and personal needs—enhanced ease of use, individualized customization (personal dashboards)
- Technology adaptation must be faster and more agile (e.g., deploying immersive learning) to regain leadership in the information/networked era
- Customer base needs to shift to include employers and their priorities—driven by the need for new and evolving capabilities in their workforce

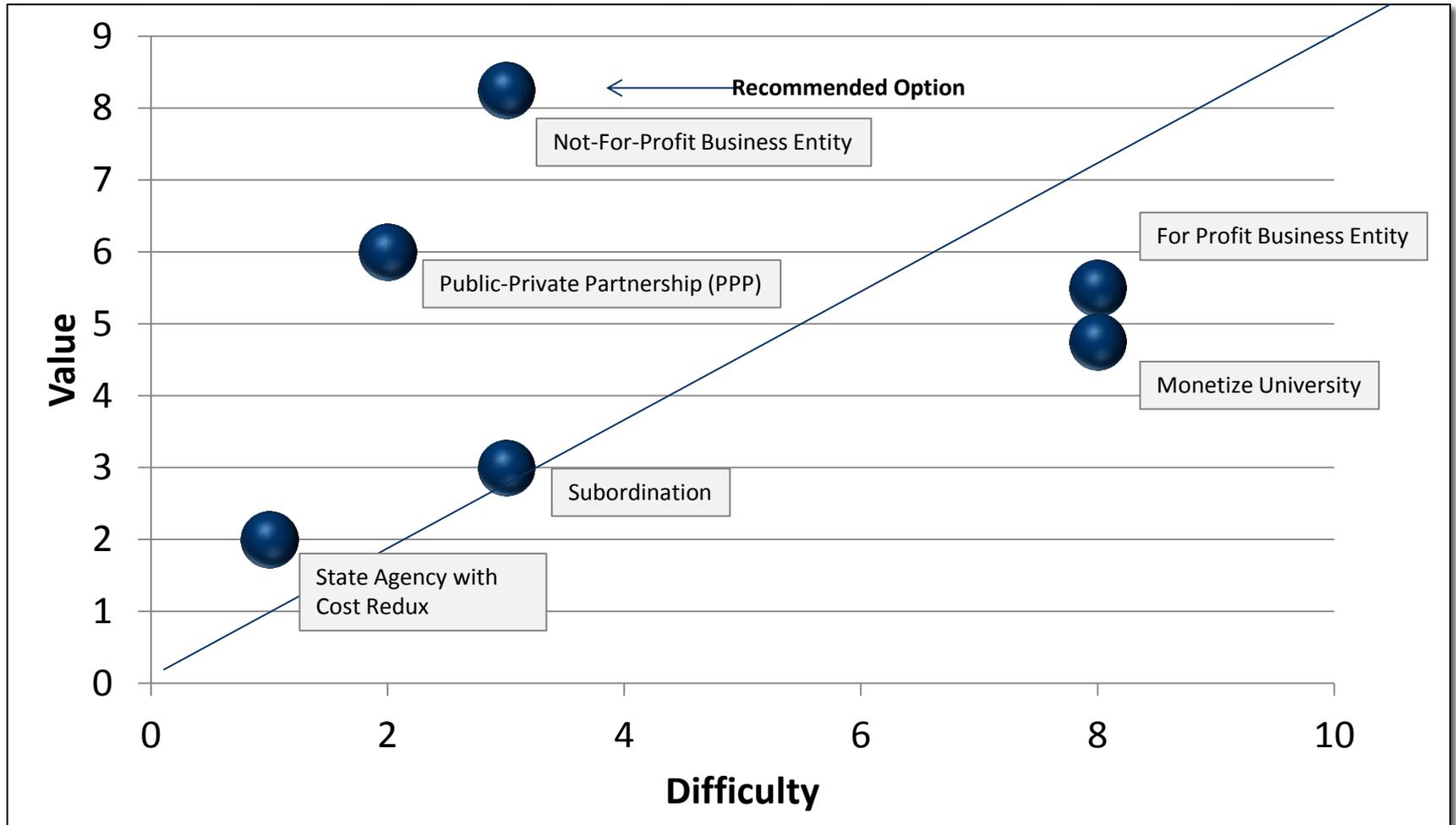


The Ideation Team Postulated and Considered 7 Business Model Options to Deliver this Value Proposition

- **State Agency with Cost Redux**—Operate as a state agency and make significant and perhaps continuous cost reductions to reflect declining enrollments
- **Not-For Profit Business Entity**—Not-for-profit, public business entity with defined ties to USM, but does not operate under the constraints of state agency
- **Public Private Partnership**—Public private partnership that fully outsources selected non-academic functions through a partnering arrangement
- **For-Profit Private Business Entity**—For-profit business entity that is separate from USM and accountable to shareholders, but not under the constraints of a state agency
- **Monetization**—Monetize the university for USM and the state through a sale and/or merger with a competing institution
- **Subordination**—Subordinate the university to another USM member institution as its specialized online education unit/capability
- **Public Benefit Corporation**—*Option proposed after scoring (see next slide) but rejected*



The Ideation Team Recommends UMUC Pursue the Not-For-Profit Business Model Connected to the USM



Advantages of Moving to a Not-for-Profit Operating Model . . .

This new operating model:

- Ensures that UMUC's public mission and purpose are maintained
- Promotes growth in a market that is rapidly changing by taking market share, perhaps through acquisitions, mergers, consolidations, partnerships, and creating new business entities
- Fosters a change in culture that reflects competitive business practices that rewards results
- Competes on a more level playing field with the for-profit companies who are now dominating the market

As a not-for-profit business entity affiliated with the USM, UMUC will be better positioned to compete in a market dominated by for-profit corporations that move fast, are highly flexible, are able to employ cutting-edge business practices in real time, and adjust rapidly to competitive forces within the industry. This level of efficiency and agility is simply not possible operating as a government entity.



Advantages of Moving to a Not-for-Profit Operating Model, continued . . .

In this form, UMUC can deploy:

- A more efficient and expedient procurement system
- A personnel system where compensation and reward reflects the market, avoiding loss of key talent
- A more competitive business model free from political pressure and influence
- Audits and compliance standards matching industry best practices conducted by certified external entities such as Deloitte, PwC, Ernst & Young, or KPMG.
- Streamlined approval and governance processes adhering to all applicable laws and regulations with oversight by a board of directors
- Faster build/buy/acquisition decisions to incorporate new technologies and capabilities, for example:
 - Onboarding and Career Tracker
 - Personalized degree map/learning planner
 - e-Resources (eliminating textbooks)
 - Enterprise level IT architecture including applications and data



Advantages of Moving to a Not-for-Profit Operating Model, continued . . .

- The new business model would be liberated from some laws, regulations, policies, and practices that are appropriate for government agencies but not for businesses, including:
 - The Public Information Act: Which makes virtually everything a government agency does subject to public disclosure, including disclosure to competitors
 - The Open Meetings Law: Which requires even the most sensitive discussions to be held in public, potentially causing great competitive harm
 - The Financial Disclosure Law: Which requires public disclosure of highly personal and private matters that some great talent finds unnecessarily intrusive.
- The new business entity would follow the advice from an in-house general counsel as part of a business versus an attorney general as part of the government



Time Is Right for UMUC's Transformation . . .

- Market and competitive dynamics are clearly telling UMUC it needs to transform—think of IBM, Kodak, Sylvania, and Charles Schwab
- Recent reductions in cost, redundancy, and inefficiency place the school on a solid footing—which is necessary but insufficient for future growth
- The new environment demands a new approach—FY14 and out-years will require use of the fund balance to sustain operations until transformative steps are taken to create growth
- Search and selection of the next president should be governed by the future needs of UMUC versus the current operation—imperative that any business model or operational changes occur before and become the baseline to guide the search process and leadership selection
- The UMUC institution is stable and leaner, and executive leadership is aligned and motivated for big change in order to thrive as an institution

