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Entrepreneurial New Reve

The traditional higher education business model has more in common with a medieval monastery than a modern corporation, largely dependent upon state largesse, charitable contributions, and generous payments from wealthy novices. For the past half-century, public colleges around the world have faced unprecedented budget pressure driven by declining government funding, aging demographics, steadily rising costs of technology and talent, and expanding expectations for student support.

Increasingly, campus leaders have been required to adopt an entrepreneurial mindset, seeking out new revenue streams to support the academic enterprise. In many ways, though, academic culture resists a focus on generating profit. Some of the most cherished academic ideals include collegial self-governance, a belief in education as a public good, a commitment to promoting access for disadvantaged students, and the academic freedom to pursue new learning without regard to mundane political or economic considerations. Most campus leaders know the challenge of encouraging market-focused, data-driven program decisions among the academic rank and file, who trust their own disciplinary expertise more than the fickle, changeable demands of students or the labor market. Moreover, entrepreneurship demands an acceptance of risk that is extremely uncomfortable for most public colleges, conflicting with both the zero-fault-tolerance of academic culture and government expectations of fiduciary responsibility.

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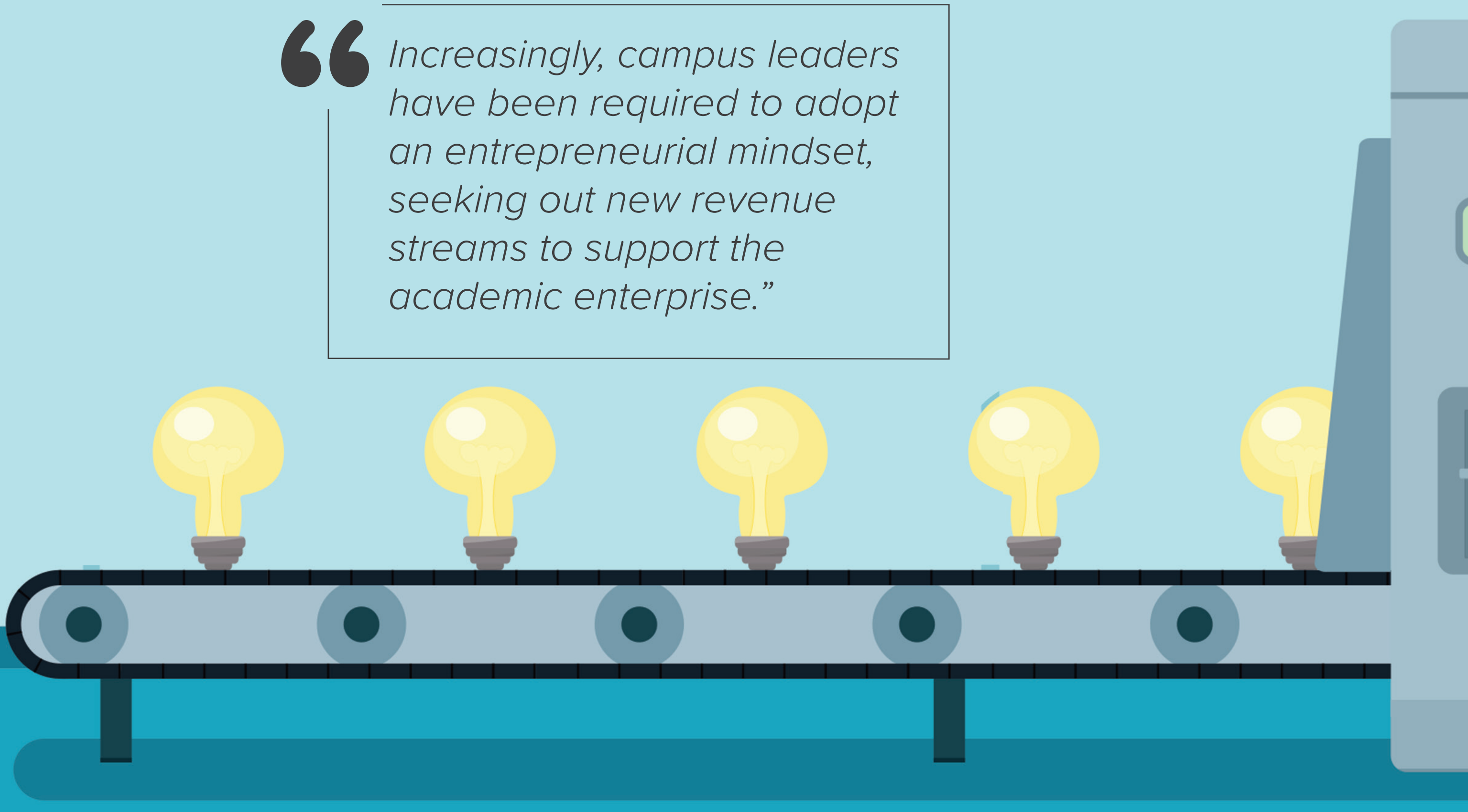

ADEMIC ENTERPRISE:

nue Streams for Your College

BY KEN STEELE

Nonetheless, necessity can be the mother of compromise: Even the ancient monastic orders farmed their lands and sold grain, liquor, ale, cheese, and honey to support their holy missions. In recent decades, colleges and universities have explored hundreds of revenue opportunities, with varying success. Some ventures were too risky, failing to generate more income than expense, while others failed through an overabundance of caution.

The most promising new revenue opportunities for your college will depend upon its history, culture, resources, context, industry partnerships, and competitors—and some unpredictable global forces. In general, though, I counsel college leaders to look for alternative revenue in four ways: monetizing the affinity of your stakeholders, leveraging the potential of your campus, commercializing your academic activities, and pursuing new markets for training and education.

MONETIZING AFFINITY

On many campuses, fundraising is the least controversial revenue stream. American higher education raises $40 billion a year from charitable foundations, alumni, corporations, and the general public. Many community colleges have barely scratched the surface when it comes to alumni engagement, donor stewardship, major gifts, legacy giving, or naming rights. New technologies are opening opportunities for online and mobile donations, focused days of giving, and crowdfunding for everything from band uniforms to research labs.

Before exploring other revenue options, be sure your advancement operations are maximizing their potential. Obviously, for major American universities, NCAA athletics generate billions of dollars in broadcast contracts, stadium billboards, luxury boxes, and ticket revenues. But those institutions also spend massively on athletic facilities, player scholarships, and coaches' salaries. Most Division I schools lose twice as much on athletics as the champion schools profit. Ventures that don't achieve a net profit are not revenue at all. And although the NCAA example may seem distant from community colleges, this lesson is close to home for campuses making the difficult decision to cut beloved but costly athletic programs.

Loyal alumni can provide ongoing revenue to their alma mater quite literally from cradle to grave, buying infant spirit wear for the next generation and collegiate caskets or burial urns for their final resting place. Your college may already offer affinity credit cards; group insurance; alumni travel; or institutionally branded coffee, wine, or license plates. About fifty American colleges are home to campus retirement villages, a permanent homecoming bundled with tuition fees. The intensity of your school spirit and alumni engagement will determine the potential of affinity approaches.

LEVERAGING YOUR CAMPUS

College campuses are miniature cities, with a range of revenue opportunities from parking fees and fines, vending machines, food services, and other retail. Edmonton's NorQuest College anticipates $100,000 a year from operating a campus bank branch. Student dining cards or stadium concession sales can generate steady revenue. Maine's Unity College sells fresh produce and branded hot sauce from the campus farm. The challenge is to operate campus services at sufficient profit without making stakeholders feel exploited.

Many institutions operate profitable student residence halls or outsource them through partnerships with private investors. More luxurious campus dorms can double as conference centres in the summer, while on-campus hotels provide accommodation for alumni and guests, and work experience for students. If your buildings are particularly scenic, you can rent the campus as a backdrop for motion picture productions.

> *Some of the largest financial returns can come from pursuing new markets for your existing academic programs, such as students living in underserved areas, veterans, and/or those who already have bachelor's or advanced degrees."*

Campus lands are a timeless asset with revenue potential. In the right market, you can sign long-term land leases for office, residential, or retail development. You can share revenue from a professional sports stadium, or even build an entire town around your campus, like Simon Fraser University's UniverCity, expected to generate a $150 million endowment. In the pursuit of energy efficiency and sustainability, some campuses have drilled natural gas wells on campus or built wind turbines or solar farms, sometimes selling surplus energy back to the regional grid.

Realizing campus revenue potential requires entrepreneurial thinking and sound management in ancillaries, but won't disrupt the academic status quo.

COMMERCIALIZING ACADEMIC ACTIVITY

Research universities have been transferring technology to the private sector for a century, but even if your institution isn't poised to license medical breakthroughs or launch the next Silicon Valley, you may profit from applied research, or offering lab services or human resources consulting to corporate clients. Hundreds of campus-based entrepreneurial incubators help launch new ventures, often in exchange for rent, equity, royalties, or future philanthropy.

Your college can realize revenue not just from research activity, but also from teaching and learning activity. Some colleges sell or raffle houses built by their construction trades students as a learning exercise. There is seldom much profit in operating a campus restaurant, but Niagara College has established learning enterprises, including a culinary institute, commercial greenhouses, aesthetics spa, teaching brewery, winery, and distillery, that collectively contribute as much as $1 million annually.

Commercializing research or learning activities will require faculty champions and long-term commitment, but won't meet as much cultural resistance as pursuing new markets.

PURSUING NEW MARKETS

Some of the largest financial returns can come from pursuing new markets for your existing academic programs, such as students living in underserved areas, veterans, and/or those who already have bachelor's or advanced degrees. Building on the needs of part-time students might require fundamental changes to program delivery and timetables, such as extended hours, monthly session starts, compressed delivery, or online learning. For example, a burgeoning $2 billion online program management industry offers a range of revenue-sharing models.

In many countries, international students are the revenue mother lode. Colleges hire foreign agents, establish pathway programs with multinational partners, license their programs to foreign institutions, and even establish overseas campuses. International ventures are risky, though, facing global competition and volatile market conditions, from currency fluctuations and natural disasters to military conflict or political fallout.

Some community colleges generate millions in revenue—at very strong profit margins—through continuing education, apprenticeship programs, customized workforce training, or custom credentials for sector councils and industry associations. You might even find potential in employee tuition plans, like the partnerships Moraine Valley Community College has with UPS and Valencia College and other education partners have with Disney Aspire.

Like any entrepreneur, a campus CEO seeking revenue has to weigh institutional strengths, market demands, and competition. The most transformational opportunities often require a significant culture shift across your institution, increased tolerance for market-driven thinking, and respect for the entrepreneurial mindset.

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