



# Make or Buy to Scale

A UNICON Research Report

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# UNICON Antitrust/Competition Statement

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Antitrust/Competition law describes a variety of laws aimed at preserving fair, honest, and vigorous competition in the marketplace.

It is based upon the theory that such competition ultimately leads to lower prices, increased supply, and continued improvements in goods and services, thereby ultimately benefiting the customer.

Therefore, antitrust/competition laws, for example, prohibit agreements between competitors to fix prices and also limit monopolies.

UNICON believes that vigorous competition is essential for driving innovation, improvements, and efficiencies in all industries, including the executive education industry, and believes the services it provides to Members foster that competition.

Please refer to the UNICON Policy Guide for antitrust policy details.

# Agenda

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1. Overview of Research Findings
2. Sponsor Reactions
3. Q & A

We started this project with what we thought was a straightforward question:

Should executive education organizations make or buy to scale?

The answer is surprisingly complex.

# Some of Our Findings

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- Scaled, technology-enabled learning is currently driving growth, and this is expected to continue.
- Scaled offerings in open or custom programs are not simple to design, produce, or deliver.
- Partnerships can be effective, but they also have intrinsic risks that need to be mindfully managed.
- The move to scaled offerings affects the executive organization, including staff roles, organizational structures and faculty relationships.

“Our findings confirm that all leaders we spoke with are addressing – to some degree – dimensions of scaling up to meet the demands of the market....For some, it means adapting one or two current open enrollment programs to digital formats. For others, it means radical restructuring of their offerings – creating substantial new products that are packaged and delivered very differently than traditional classroom programs.” (p. 3)

# What Does Scale Mean?



# Dimensions of Scale

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- Geographic and time zone reach.
- Number of participants and learners.
- Multiple and varied languages and cultural norms.
- Multiple learner levels in terms of age and experience.
- Varieties of learning options and opportunities.
- Content of the course material.

# Approaches to Scaling Numbers

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- Schools we spoke with focused scaling numbers on open enrollment.
- Most are operating in the range of 100s, with one in the 1,000s.
- Lower numbers are perceived as more “safe”
- A few schools are looking at going to the 10,000s

*“...We can do 100 in a live session. With the virtual classroom we are not scaling [beyond] 60 people, but you can do 60 people in different locations....virtually you are actually ‘descaling’ by 40%.”*

*- Exec Ed Leader, p. 25*

# Approaches to Scaling Content

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- Three schools we interviewed had good success with this.
- In add cases, it involved adding content that is complementary to, but different from, the core content the faculty teach.
- Content partners were both other schools within the university, and non-profits and professional organizations outside of the university.

# Why Scale?

# Why Schools are Choosing to Scale

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1. Revenue Growth
2. Meeting Market Demands
3. Impact
4. Not Falling Behind

*“Leverage is fundamentally what we do. The core asset is the faculty member teaching live sessions.”*

*- Exec Ed Leader, p. 15*

# Online is Driving Revenue Growth

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- Several schools reported the percent of revenues from online is 10-15%, up from the single digits a few years ago.
- One school at 15% is projecting 25% in 2019.
- Another is currently at 30%, projecting growth 50%.
- All interviewed believed this is new business, not self-cannibalization.

# The Market is Asking for Digital Content

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- Digital content is becoming a “Hygiene Factor” for customers.
- Businesses need anytime, anywhere, chunked content.
- They are also exploring new types of credentialing like certificates and badges

*“There will be enormous appetite for any place, any time, chunk[ed] content....[with] more hybrid, smaller bits, more online components.”*

*- Exec Ed Leader, p. 18*

# Scaling May Create Greater Impact

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*“Scale for scale’s sake is not an important goal...[but] you need it for impact – to develop leaders who make a difference in the world.”*

*- Exec Ed Leader, p. 19*

- Developing leaders and improving organizations remains a core executive education goal.
- Many are thinking of this as taking existing assets and experiences to current or similar customers.
- Replicating the impact achieved in face-to-face programs is not an easy task, even today.



# Not Falling Behind is Important

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*“If you wait until [later], the schools that already have a head start – with a curated, authenticated product base – will be way ahead of the game. It will be really late to start then. You have to start now.”*

*- Exec Ed Leader, p.*

# Make or Buy

“Make or buy is infinitely complicated. [These are] not technology [questions] but business model and partnership questions.”

- Exec Ed Leader, p. 39

“We are using lots of options – no dominate paradigm – each school has to find out what is right.”

- Exec Ed Leader, p. 42

# Strategies Schools Are Pursuing

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1. Build it yourself and consider partners later.
2. Try a few things with a few partners.
3. Engage actively in partnerships and internal development.

# Capabilities Needed for Scaling

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## **Platform & Delivery:**

- Scaled delivery, including mobile
- Bandwidth and firewall solutions
- Single sign on, corporate LMS integration
- ADA accessibility
- Security and GDPR compliance

## **Marketing/Reach:**

- Sales, enrollment, invoicing and administration of geographically and culturally diverse participants

## **Learning Experience:**

- Design & packaging
- Scaling touch (coaching, projects, etc.)
- Video production

# Other Capability Considerations

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- Staff who can engage and manage outside providers – from business relationship to content production.
- The ability to design – or manage the design – of new offerings.
- A greater role for marketing in influencing program design.
- Agreements with faculty and vendors that can be revised periodically

# What Scaling Means for EE Orgs

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- Up-front investment is needed:
  - and this includes, thinking differently about revenues
- New roles are required:
  - Market analysis
  - Strategic decisions
  - Evaluating and managing partners and vendors
  - Recruiting and compensating faculty
  - Assessing impact
  - Managing costs

# Is Executive Education Being Disrupted?



# Corporations See Value in What We Offer

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Corporate customers have already migrated to new ways of working and learning.

They have become highly sophisticated designers and consumers of scaled learning.

Even with that, though, they see the value of business school based education – the strong faculty and program designs,

and they would like closer, more collaborative relationships.

# MOOCs are considered largely unsuccessful

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While they have suggested some upper limits for the possibilities of scale, MOOCs are generally not the vehicle of choice for executive education, due to:

- Concerns about quality, and the low-touch approach
- Concerns about completion rates
- Concerns about impact

“New ways of scaling engagement – focused on micro learning, non-linear learning, and ‘high touch at a distance’ – are being developed and tried by schools and commercial providers as well.” (p. 15)

# Face-to-Face Will Not Disappear

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“High touch, high potential, bespoke, put everyone on a boat, more experiential, reserved for elite – that will stay....It will make people money, be safe....[but it] is not scalable.” – Exec Ed Leader, p. 18.

“Universities are never going away. People like to be in a room with other people learning. Just like movies haven't gone away. You can't get away from that human need....What is great about the university is you have time to think about things deeply and come up with some ideas that have weight behind them.” Corporate Ed Leader, p. 18

But....

# Partnerships: Proceed With Caution

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- Partners learn as much (or more) from us as we do from them
- Schools need to evaluate the real value of the data provided
- In many cases, the content developed is not transportable
- Schools risk being disintermediated from their customers

“If [commercial partners] maintain quality, increase revenues, and decrease costs over time (in other words, get the business model right), it is not difficult to imagine they could take on even more. Could they become opportunities to outsource executive education entirely?” (p. 63)

“Competition in understanding how people learn and how they apply what they learn may end up residing with the customers of executive education. And corporations will be looking for providers who are at least as sophisticated, if not more so, than they are.” (p. 63)

Get on the train, but.....



# About the Authors

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**Jennifer K. Stine, Ph.D.** is an independent consultant, teacher, and innovator. She is an expert in the development of world-class executive and professional programs, with over a decade of leadership experience at Harvard and MIT. Her current focus is developing university-corporate partnerships that lead to innovative, co-created educational experiences, including work with Accenture in this area. She conducts research in executive and professional education, including co-authoring four UNICON research reports. She consults for both universities and companies, and she is an instructor at Harvard Extension School where she teaches organizational behavior, leadership, and teamwork. She is currently working on a book for corporate learning professionals on how to work with universities.

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**Toby Woll** has been an active member of the UNICON research community, having co-authored four research reports. Previously, as a Director of Executive Education at the MIT Sloan School of Management, Woll led significant custom executive education engagement teams serving large custom clients. For a number of years at MIT, her focus was on how action learning and technology could be used to deliver and enhance the educational experience both on and off campus. Previously, as the Sloan Director of Learning Technology Initiatives, Woll developed a number of innovative digital educational products. As a Sloan representative, she was part of the MIT strategic task force that developed the proposal for OpenCourseWare at MIT. Woll was previously the Director of the Sloan Fellows Program at MIT Sloan.

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