



Spitler Box Front (Brian Laurich)

Managing the Business of Education

Schools must learn to operate like the businesses that they are.

by Prafulla Pande and Suranjan Shome

CHANGE IS TOUGH. It doesn't matter what kind of business you run or in what era you live, socioeconomic change happens, and it disrupts the patterns and approaches that have been successful in the past.

Leaders in most organizations understand this. Sure, we're all susceptible to sticking our heads in the sand sometimes and reacting too slowly or not at all to changing market forces, but we know that we cannot ultimately escape reality. It hits us right at the bottom line. The hard numbers tell the story, and what we want reality to be has no bearing on what it actually is. If we fail to make decisions consistent with reality, our organizations cease to exist.

Schools are different. In many ways, they live in a bubble,

shielded from the consequences of market dynamics. Public schools, in particular, are still operating under models that became obsolete years ago thanks in part to school choice initiatives and rapidly changing customer expectations. Enrollments are declining, costs are increasing, and quality is slipping. However, because they are government-funded, the money keeps flowing without adjusting to market reality. Private schools are no exception, though their bubble is created more by educational idealism than political expediency.

And yet, schools are not different at all. Schools are subject to the same economic realities as the rest of us; the consequences are just delayed. Citizens and business people have been pointing out operational inefficiencies and poor financial policy in the schools for years, but the funding is just now drying up. School systems are being faced with the reality that, while their cause might seem unique, they are still a business. They have customers, they provide products and services, they rely on cash flow, and their bottom lines still need to be in the black.

Schools are beginning to grasp this reality, and the pain is as real as the change. Yet, in spite of the pain, this is an exciting time. The first step to improvement is recognizing the problem,

and though it might have come later than we would have liked, school leadership teams and communities – both public and private – are now seeing it for what it is. It's time to fix this, and there are solutions.

As professional business advisors to CEOs and their executive teams, we have developed a keen interest in the education sector. The problems are real, but so are the opportunities. Public and private schools may have different business models and approaches to learning, but the fundamental challenges they face are largely the same. In this article, we will briefly examine those challenges and suggest an approach to meeting them.

What we are suggesting is not rocket science. It's just good business, and that's exactly what schools are: businesses that happen to develop a very valuable product that impacts not just students, but our entire society.

THE CHALLENGE

The communities that schools serve today are much different than what they were decades ago. No longer do families stay in one town for generations, sending their children out the door to walk to the neighborhood school. People are mobile, and

Red Maple Star Quilt (Brian Laurich)



population shifts coupled with more isolated neighborhoods have greatly changed the nature of how we interact. Things have even changed within households. Parents are less involved in their children's education. How and where families spend time is different. It is common for both parents to work outside the home. In many ways, these changes have shifted the role of the school from education to caretaking. The demands are enormous.

The academic expectations are also different. Economic globalization has resulted in new needs for the workforce, and schools are scrambling to prepare that workforce. In addition to reading, writing, and arithmetic, schools are teaching more (and different) foreign languages. Mandarin, Japanese, and Hindi are joining German, French, and Spanish in the classrooms. The technological explosion (students are texting more than they are talking these days) and the digital revolution have teachers trying to find the appropriate balance of screen time and traditional lecture/book time. The ways student learn are changing dramatically and teaching methods are struggling to keep up.

Finally, the economic pressures are also immense. For starters, families have less children today than they had a generation or two ago. Consequently, enrollment is down. Schools may have fewer kids, but they cannot easily downsize an infrastructure that was built for a much larger system decades ago. On top of that, the struggling economy has hit private schools through more families choosing to get a "free" education at the public schools and public schools through tax revenue shortages.

In the face of such transformational change, schools typically resort to closures, layoffs, program reductions, consolidations, and donations to address the situation. Somehow, they are expected to do this without compromising the quality of education. We actually think it can be done. It *must* be done. But it will not happen unless schools see themselves as businesses and attack their problems like businesses.

THE PLAN

Schools are businesses, plain and simple. They have revenue and they have expenses. They have a product (education) and customers (students and parents). Increasingly, thanks to school choice initiatives, private and charter schools, and extensive homeschooling networks, those customers have a choice in where they get their education. If a school wants to be successful, its managers must ask themselves, "Why would parents choose to send their children here?" Just like any business, schools must find ways to delight their customers if they hope to retain them and attract more.

In many cases, school administrators, having been trained in education, have little professional business background; yet, they are leading complex business units with revenues in

the millions. They're used to teaching students, not creating market-driven solutions. What's most mind-boggling is that some are okay with that. They are so enamored with the noble *idealism* of education that they diminish the importance of managing the *business* of education. It's as if the product is sacred and the market will have to adjust.

Of course, the reality is that the product must adapt to meet the market. This starts with the leadership team. The K-12 education industry tends to have an unhealthy division between operations and finance with the superintendent and the treasurer *both* reporting directly to the board of directors. This is unhealthy. Anything less than "CEO-style" authority

for the superintendent leads to lack of accountability. Ideally, everyone should be accountable to the superintendent (the CEO), and the superintendent alone should be accountable to the board. Most businesses

operate this way for good reason, and schools are not exempt from those reasons.

School leadership teams also need to start thinking more strategically. We have found that many schools are not looking at the right metrics. Consequently, the entire system is stocked with gross inefficiencies, and these inefficiencies continue to drain money for years before they are noticed. This gets back to market-driven thinking. What is the need of your customers? How do you meet that need? What can you do to meet that need better? Who is the competition? How are you setting yourself apart from the competition? The answers to these questions might be uncomfortable. That's the point. If "business as usual" no longer exists, then the "usual" assumptions must die the same death. Most of the time, the answers are fairly obvious; leaders just need the courage to acknowledge them and act accordingly.

Federal and state laws require all schools to develop a strategic plan, but the law does not require a *useful* strategic plan. Once the box is checked and the writing is on the page, most school strategic plans are rarely seen again. Frankly, it would not make a difference if they were since they are often so full of generalities that one wonders how to act on them. A school definitely needs a strategic plan, but it must be one that inspires specific actions and provides metrics for judging performance within a fixed time frame.

One area that often highlights misguided strategic thinking is technology. We were once taken into the "command station" at a high school. Had we not known differently, we might have thought we were at NASA. The level of equipment was incredible! Unfortunately, the equipment was not being used anywhere close to its potential. This particular district boasted about having the "latest and greatest" technology, but it was not being translated to the students. What was the objective here? Was it to have state-of-the-art technology available to the students? Or was it to prepare the students for a technology-

Laws require all schools to develop a strategic plan, but the law does not require a **useful** strategic plan.

We cannot allow the means to an end to become the end itself.

driven world? Those might not seem like very different questions, but strategically, they are worlds apart. We cannot afford to allow the means to an end to become the end itself.

An accountability-inducing leadership structure coupled with an action-oriented strategic plan is a key step toward running a school like the business that it is. Just having a plan is not enough, however. You must be able to execute it.

THE EXECUTION

The key to effective strategic planning is *process*. Long-term visions remain pipe dreams without short-term actions. Short-term actions don't get done without metrics and deadlines. Metrics and deadlines are the building blocks of a strategic meeting rhythm, and the meeting rhythm is the engine that drives strategy execution. We recommend a quarterly meeting rhythm to our clients. For 90 days, they commit their entire organizations to specific goals that move them in the direction of their long-term vision. At the end of the 90 days, they review their progress and set goals for the next 90 days. Again, this isn't just good *school* practice, this is good *business* practice. (Remember, that's what schools are.) It's a structure that equips organizations to meet the needs of the market they are seeking to serve.

Several years ago, a school leadership team asked us to work with them. We began our first meeting with the question, "Why are we here?" They responded that they hoped we could help bring some fresh ideas to their strategic plan. Our next question was, "Well, what does your plan currently look like?" You see, we are not in the business of creating strategic plans; we are in the business of helping leadership teams create their *own* strategic plans and implementing the disciplines to consistently execute them. By law, every school system has a strategic plan; however, the question is: "What are you doing to actually get it done?" Today, this same team will tell you that the most valued skill they have received from their time with us was the same component they were missing: *execution*.

EMBRACE THE CHANGE

For far too long, the K-12 education industry has been in "stand and deliver" mode with a one-size-fits-all model. The time for this to change is now. School leadership teams must face the facts of the momentous changes they are experiencing, develop a market-driven strategy to respond to those changes, and implement a process to ensure execution of that plan. Indeed, education is a noble profession and plays an important role in the construction of the culture and the well-being of the next adult generation. A commitment to sound business strategy is essential – a giant leap toward the high ideals that schools have always pursued.

In this case, change is good.



Prafulla Pande is a certified CEO Advantage advisor and exclusive business partner of Epiphany Management Group. He works with a variety of organizations, including several school districts in Michigan, Ohio, and Florida. Contact him at ppande@pandeassociates.com.



Suranjan Shome is the president of Epiphany Management Group. Epiphany provides management consulting services and outsourced technology departments to K-12 school districts. Contact Suranjan at sshome@epiphanymgmt.com.

For a complimentary reprint of this article, visit tcajournal.com.



Gold Weathervane (Brian Laurich)