

A generous grant enabled four diverse Historically Black Colleges and Universities (HBCUs) to partner with AGB in working to strengthen their business models and spark growth.

What we learned may help all institutions.

INSTITUTION TYPES

HBCUs — one public and three private

LOCATIONS

Rural, urban, and suburban

SIZES

FTE range: 1,250-3,000

INSTITUTION BUDGETS

\$0-50 million to \$100-250 million annually

A TREMENDOUS OPPORTUNITY TO SUPPORT HBCUs

A generous grant from the Kresge Foundation enabled AGB to partner with four HBCU institutions to strategically:

- Improve each institution’s business model
- Address short-term contingencies and steer toward long-term financial sustainability
- Develop actionable insights that would benefit all HBCUs in the United States

The four HBCUs were geographically diverse. One was a public institution and three were private, with full-time enrollments ranging from 1,250 to 3,000 students. All four institutions could look to long histories characterized by academic excellence and outstanding service to students, communities, and regions. However, the present and future did not look so bright. All four faced challenges that threatened the sustainability of their missions and operations, including:

- Declining enrollment
- Heightened competition to attract students
- Rising costs impacting and shrinking revenue margins
- Declining financial support from state and federal sources
- Deferred maintenance costs, placing even greater reliance on declining enrollment revenue streams
- Changes to Pell Grant requirements, reducing student eligibility and ability to matriculate
- The lone public institution was also experiencing difficulties with reduced, and often delayed, state funding

Like many small public and private HBCUs, these four institutions were locked into long-established models and operating procedures that limited their adaptability, flexibility, and responsiveness to industry and societal trends. Reluctance to embrace change among faculty, staff, and leaders was a key obstacle for all four institutions.

AGB’s APPROACH TO PARTNERING WITH THE HBCUs

AGB Consulting’s team began by collaborating with the institutions to define the obstacles that were impeding their progress and impacting their sustainability. Beginning with a diagnostic assessment and exploratory phase, our team developed key insights, strategic recommendations, and a roadmap for growing revenues.

Our findings identified nine strategic growth building blocks (SGBBs). Six of these building blocks were applicable to all four institutions and to most HBCUs nationally. The other three building blocks were significant for a few specific institutions.

[Continues on next page...](#)

Strategic growth building blocks are well-defined processes for creating, growing, and systematically implementing initiatives to produce new or expanded sustainable revenue streams; they are modeled over a five-year period.

Strategic growth building blocks: Each building block is formulated as a stated goal, based on reasonable assumptions, combined with the strategies, processes, and actions required to achieve that goal.

For all HBCUs, AGB consultants recommended adopting these six SGBBs as core strategies for restarting growth in a rapidly changing business environment:

1. Grow transfer student enrollment and enhance speed of service to this population.
2. Grow and strengthen online programs and supporting infrastructure, particularly in areas of institutional strength and alignment with regional and national job trends.
3. Identify and engage more public-private community partnerships to enhance educational delivery, improve facilities, and help tackle deferred maintenance issues.
4. Work to improve enrollment management services, speed, and integration.
5. Focus on building and strengthening student retention programs to reduce non-completion and transfer-out rates.
6. Invest in technology support and infrastructure to both enhance online educational delivery and create more efficiencies in internal operations.

For certain institutions, AGB consultants recommended adopting these additional building blocks to drive further evolution and growth:

7. Develop several new first-year programs to improve student retention, enhance the campus community environment, and attract more students.
8. Develop new, targeted academic programs aligned to institutional areas of strength, or local/regional/statewide job market trends or needs.
9. Develop and strengthen succession planning so that initiatives and progress would not be lost during times of presidential transition and institutional change (especially for those with long-serving presidents).

AGB FORECASTED REVENUE GAINS FOR EACH INSTITUTION, BASED ON THE NINE BUILDING BLOCKS

The SGBBs were developed as five-year models that incorporated return-on-investment assumptions, risks, resource needs, and more. AGB also considered expenditures over the five-years, looking at both percentage of new revenue and resources needed for continued growth. Coaching support, implementation tasks, and timelines were also developed and shared with the institutions.

Based on the building blocks, AGB helped the HBCUs develop these five-year forecasts:

- **Institution 1 (private suburban campus with approximately 2,000 full-time students):**
Net new revenue of \$19.7 million based on \$27 million in total revenue growth from six initiatives, against total new costs of \$7.3 million
- **Institution 2 (private urban campus with approximately 1,250 full-time students):**
Net new revenue of \$7.3 million based on \$10.7 million in total revenue growth from five initiatives, against total new costs of \$3.4 million
- **Institution 3 (private rural campus with approximately 2,100 full-time students):**
Net new revenue of \$6.9 million based on \$11 million in total revenue growth from four initiatives, against total new costs of \$4.1 million
- **Institution 4 (public urban campus with approximately 3,000 full-time students):**
Net new revenue of \$16.4 million based on \$26 million in total revenue growth at year five from six initiatives, against total new costs of \$9.6 million

AGB consultants identified opportunities to realize an average of more than \$12 million in net new revenues among the four HBCUs.

OUTCOMES FOR THE FOUR HBCUs

Working with AGB, the four HBCU institutions identified clear pathways to revenue growth. Based on the building blocks, AGB consultants identified opportunities to realize an average of more than \$12 million in net new revenues among the four, based on more than \$50 million in total new revenues.

Each institution used the nine building blocks to develop its own strategies and action plan. This provided each with a clear roadmap and set of steps for achieving its targeted growth.

In addition to these specific plans, each institution became very familiar with AGB's SGBB approach and can now use it to meet new objectives and challenges as they emerge. AGB equipped the four institutions to begin doing the work. Based on that guidance, they have incorporated those leading practices into their ongoing operations.

Having identified these opportunities, AGB consultants worked with the institutions to navigate three success factors that in our experience, can often hinder the success of even very well-planned strategies:

- **Board capacity and performance**
- **Less than optimal working relationships** among the board, leadership, faculty, and staff
- **Transitional gaps in leadership** that may occur without effective succession planning

AGB HELPED HBCU BOARDS PREPARE TO PERFORM

AGB consultants remained in place to help each board develop its capabilities for:

- **Targeted capacity building**—AGB consultants worked with each board to strengthen its capacity to serve as a fiduciary body and provide leadership throughout the implementation process, without infringing on the domain of institution leadership.
- **Relationship management among the board, staff, and faculty in the face of change**—AGB developed clear and consistent communications that explained why change was necessary, when it was coming, and how it might impact stakeholders. AGB consultants emphasized the importance of listening and gaining buy-in during times of change.
- **Leadership succession and transition planning**—Several institutions began the work knowing that current, long-serving leaders would be retiring. AGB consultants worked with them to ensure there would be no lapse in momentum as new leaders took the helm.

AGB is proud to have served a role in preserving the legacy and traditions of HBCUs for future generations of students. All types of institutions face uncertain futures, but HBCUs face unique challenges.

Through this partnership and the generosity of the Kresge Foundation, we were able to address those challenges and discover new opportunities—by combining the wisdom, passion, and expertise of HBCU board members with the thought leadership and 100 years of experience AGB brings to every consulting engagement.