

A small, rural, and private Midwestern university was stuck in cost-cutting survival mode. The future looked bleak, but AGB Consulting’s team helped the institution return to growth and add \$30 million in annual revenue.

What we learned may help all institutions.

INSTITUTION TYPE

Small private university

LOCATION

Rural

SIZE

FTE range: Less than 1,000

INSTITUTION BUDGET

\$70 million annually

A SMALL UNIVERSITY IN DIRE TROUBLE

AGB was contacted by a small private university located in the Midwest. The university had a proud, 100-plus-year history of service to its region and community but was facing complex challenges related to:

- Scaling for growth.
- Adapting to rapid changes in the marketplace.
- Developing new programs that would enable it to compete.
- Identifying, investing in, and implementing new growth initiatives.

During many years of stability and reliable enrollment growth, the university had invested in a traditional, yet modern campus and many off-campus education centers. It also developed delivery models that aligned with trends in online and self-directed education. It integrated dual enrollment and continuing education into its offering.

But the university found itself confronting chronic revenue shortfalls in the wake of the economic downturn (2007–2009) and subsequent demographic, consumer, and industry changes. Rooted in traditional thinking, the university responded by cutting costs. Unfortunately, it quickly became evident that cost-cutting could not offset rapidly growing budget deficits and that the cuts were only hurting operations, revenue, and morale.

At this point, the university adopted a new organizational structure. But rather than helping, the reorganization only made the university’s situation worse—by creating inefficiencies and hindering the institution’s service-oriented mission.

AGB’s APPROACH TO ASSISTING THE UNIVERSITY

AGB partnered with the university to address the challenges that were threatening its sustainability. We began by conducting a diagnostic assessment. Then we analyzed the results, presented our findings, and developed a strategic roadmap for restarting revenue and growth. Like many institutions, the university was stuck in a survival mindset. Financial crises left little time or energy for pursuing innovative options. AGB’s consultants provided objective perspective and developed a series of strategic growth building blocks (SGBBs) that would:

- Build on the institution’s legacy, mission, and strengths.
- Target new opportunities for growth.
- Increase revenue over a period of five years.

Our consultants met with leadership, faculty, staff, and trustees to define the specific issues that were plaguing the university. These factors included market share erosion, onboarding problems, and operational deficiencies that limited the university’s ability to scale.

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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.

The AGB team designed four SGBBs to address the specific issues that were obstructing the university's path to sustainability. Each SGBB included pro forma financial models and actionable insights, including return on investment (ROI), key assumptions, milestones, resource needs, implementation plans, and possible risks.

The four SGBBs included:

- 1. Commit to building a “destination campus” that would drive enrollment growth.** The university needed to become more innovative in its approach to attracting and serving students. To achieve this goal, this building block identified four areas for improvement with specific recommendations for improving student customer service.
- 2. Focus on attracting transfer students.** Transfers represent the fastest growing segment of prospective students for campus-based programs in the university's region. While the university's share of transfer students was small, job market data indicated a growing need among regional employers for BA/BS-level employees. AGB Consulting recommended ways to eliminate internal barriers and revise procedures that hindered efforts to recruit and onboard transfer students.
- 3. Recommit to and enhance international operations.** The university was well ahead of its peers, having developed two international operations decades earlier. AGB helped the university develop a plan to reinvest in its overseas locations and programs to attract new students, increase enrollments, improve retention, and grow revenues.
- 4. Maximize utilization of infrastructure for online education and services.** The university was underusing its online infrastructure. This enabled the potential for significant growth in this area without requiring new investments. AGB helped the university develop a plan to increase the effectiveness of support capabilities such as enrollment, processing, and onboarding. AGB recommended the elimination of accounting silos that diverted funds to individual departments rather than to the university as a whole. These changes allowed the university to more rapidly scale its online enrollments and programs. AGB also provided three operational recommendations for improving matriculation yield from online programs.

AGB consultants identified opportunities to realize \$150 million in new gross revenues over five years.

OUTCOMES FOR THE UNIVERSITY

The four proposed SGBBs demonstrated that the university could realize more than \$30 million in new revenue and \$15 million in incremental financial contribution per year after subtracting expenses. Realigning revenue segment champions would allow for more effective cross-functional cooperation.