



Transformation
Collaborative

Reinventing Yesterday to Create a Brighter Tomorrow CAAPS Annual Conference, October 5, 2022

Wallace K. Pond, Ph.D. Founder and CEO

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I'M DOING FINE



HOW YOU DOING?



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How We Got Here

History | The 12 Year Crisis



A Brief History of Career and Technical Education

1600s

- Apprenticeships and small group training

Late 1700s

- Introduction of workforce related schools

Early 1800s

- Expansion of trade/vocational schools

Late 1800s

- Formal trade school movement (today's career college model)

Early - Mid 1900s

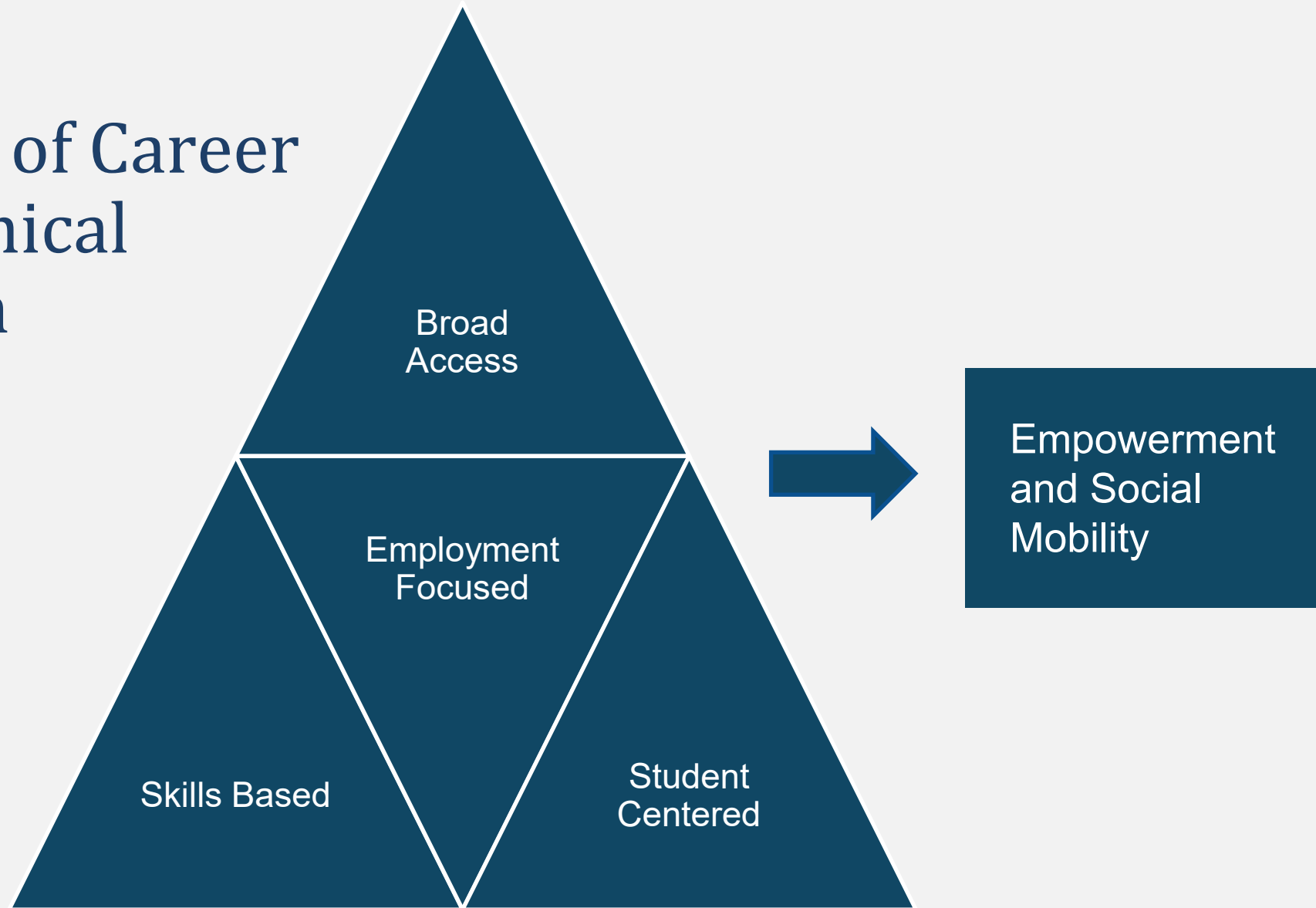
- Post WWI expansion of career sector

2000s - Present

- Shift back to non-credit, post-secondary education

Career Education as
Workforce Development

Strengths of Career and Technical Education



The 12-Year Contraction in Higher Education

- Demographics (Declining Birthrates)
- Economy
- Economics (Cost of Education and Debt)
- Negative Societal Opinions about Higher Education
- Shift Away from Degrees Required for Employment
- **Alternatives to College Programs**
- ***COVID-19 Pandemic***
 - Declines in Female and Minority Enrollment
 - Increase in Attrition
 - Increase in Family Financial Stress

The 2018-2019 and 2019-2020 and 2020-2021 year over year enrollment declines were the largest of the entire decade-long contraction.

The Reality of COVID-19

The COVID-19 crisis has been a powerful accelerant of existing trends:

- Higher education as a retail business
- Remote delivery of services and instruction
- Shorter, non-degree programs (CBE, certificates)
- Centralized decision making
- Reduced, long-term public funding
- Move away from the traditional calendar
- Rich get richer; poor get poorer
- Only three states saw an enrollment increase in Fall 2021

The only higher ed sector where enrollment is up is four-year, for-profit institutions.

Key Data Points

- Steepest birthrate declines in American history over last three years.
- 4 million fewer students since 2010.
- 1.4 million/10% fewer students since 2019.
- 3 million students leave college each year because of a time-sensitive financial crisis of \$500 or less.
- Dropouts are up 8.6% since 2019.
- There has been a dramatic decline in percentage of high school grads intending to attend 4-yr college from 71% in 2019 to 48% in 2022.
- 70% of college students now say that affordability has affected their enrollment plans.
- 36% of parents took money from their children's college funds to compensate for pandemic related financial challenges.

Key Data Points

- AWS Educate committed to training \$29 million learners for free.
- Adult learners who earn credit for prior learning are 17% more likely to graduate than those who do not.
- 39 million Americans have college credit but no degree.
- Average student debt is over \$30,000 and 20% of debtholders owe more than \$100,000!
- 82% of graduates of short-term, non-credit programs say it was worth it.
- 70 million adults have skills through alternative routes, but no college credential.
- Over 50% of Americans no longer believe that higher education is good for society.
- 1,500 schools have closed, merged, or been acquired under duress since 2011.
- Virtually all growth in less than 100 of 5,800 Title IV institutions.

Non-Degree Program Research

- 62% of adults would prefer a non-degree program over any degree program.
- 51% of non-degree programs are offered by non-college organizations.
- 42% of workers feel that employers' involvement in their education makes for a better learning experience.
- Alumni outcomes of non-degree programs are higher than associates degrees, but slightly less than bachelor's degrees.
- Labor market outcomes (pay and job satisfaction) are better for non-degree programs than associate degree programs, and the highest value programs are in health sciences.
- Adults who combine any college degree with a non-degree program report the highest quality and value.

Research reported by Strada Education on 7/28/21
<https://cci.stradaeducation.org/wp-content/uploads/sites/2/2021/07/PublicViewpointCharts-072821.pdf>

According to the Department of Labor, the average tenure for American jobs was down to 4.1 years in 2019, but the average life span for work is 60 years. Therefore, a college degree has to provide value for 15 different jobs over six decades!

<https://www.bls.gov/opub/ted/2020/median-tenure-with-current-employer-was-4-point-1-years-in-january-2020.htm>

Strada Education: <https://cci.stradaeducation.org/pv-release-july-28-2021/>



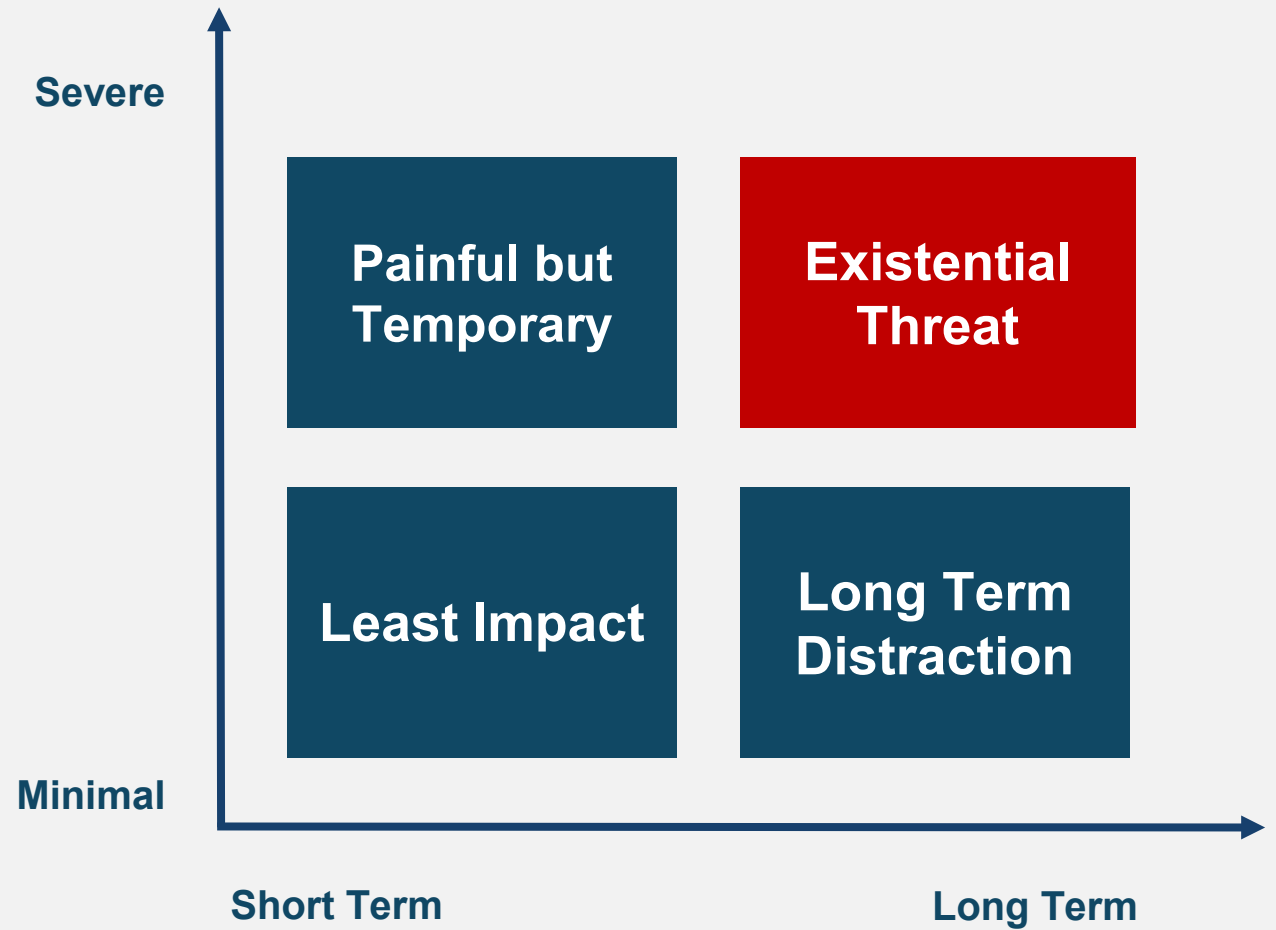
Have and Have Nots

“Once the federal dollars are gone, the post-pandemic landscape will resemble the pre-pandemic one, with the same pressures, and one of the outcomes from those pressures is continued bifurcation, continued strong getting stronger, weak getting weaker.”

Emily Wadhwani, Fitch Ratings

The Current Crisis (It Started 12 Years Ago)

The current crisis is long-term, severe, existential, and we will not return to the previous normal when it's "over."



What Has Changed

The Market | Public Opinion | Consumer Behavior | Economics



Demographics

- We are in the “trough” of previous declining birthrates.
- Below the “replacement rate” of 2.1 live births since 1971.
- Lowest ever in 2018 and 2019 (1.72), then lower again in 2020!
- Freshmen class cannot grow until at least 2040.
- African American enrollment declined 13% from 2014 to 2019 and minority populations suffered the greatest declines in 2020 and 2021.

“Millions of Americans will be absent first from the classroom and then from the labor market because, to put it bluntly, they were never born.”

The Demographic Drought - Emsi

“The rate has generally been below replacement since 1971 and consistently below replacement for the last decade”

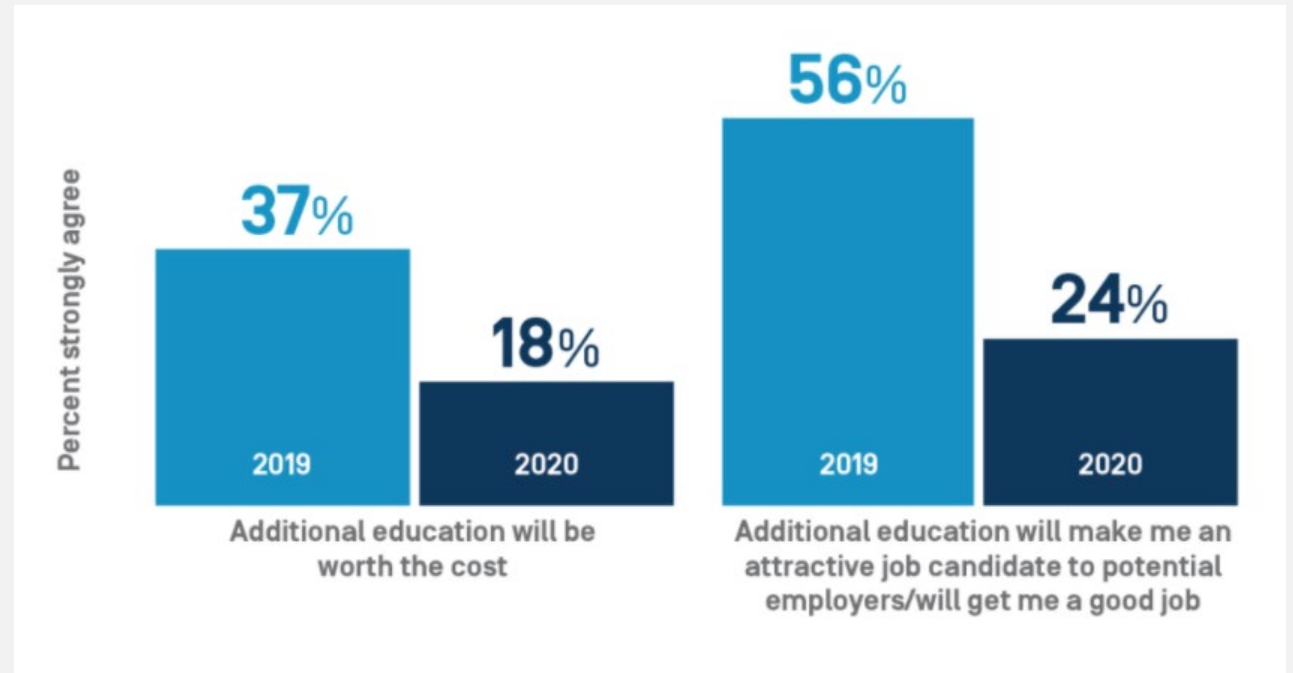
- CDC

<https://www.economicmodeling.com/2021/05/04/demographic-drought/>
<https://cci.stradaeducation.org/pv-release-may-19-2021-back-to-class/>

Negative Societal Opinions about Higher Ed

- Gallup Survey (declining confidence)
- Pew Survey (headed in wrong direction)
- Harvard Survey (student debt is a major problem, source of enrollment decision)*
- Strada Survey (return on investment)

* Millennials under 30



<https://cci.stradaeducation.org/pv-release-december-20-2020-insights-from-2020-implications-for-2021/>

The Economy

- Historically Inequitable Distribution of Wealth
- Highest Unemployment Since the Great Depression
- Hollow Recovery from 2008 Recession
 - 57,000,000 moved into gig economy
 - 80% of re-employed made less than before the recession
 - Millions moved from home-owners to renters
- Highest Level of Economic Vulnerability in Modern Times (even BEFORE the pandemic)
- 5,000,000 fewer workers in Fall 2021 than Fall 2019

<https://www.washingtonpost.com/news/wonk/wp/2018/05/25/the-alarming-statistics-that-show-the-u-s-economy-isnt-as-good-as-it-seems/>
<https://wallacekpond.com/2019/10/06/struggling-through-good-times-why-were-so-stressed-despite-a-strong-economy/>

Economics of Higher Education

- Tuition has increased 40% in the last ten years.
- Since 1989, tuition has doubled, after inflation (eight times faster than increases in wages).
- Total student debt is now \$1.75 trillion (exceeding both credit card and auto loan debt).
- Average student debt is now over \$32,000 per person and roughly 20% of students owe more than \$100,000 dollars.
- Half of all borrowers were making interest-only payments before the pandemic.
- The combination of time and money required for a traditional degree program is becoming untenable for many post-secondary students.
- We may see massive default rates when Covid-based loan deferrals expire.

- The cost of education has exceeded customer elasticity.
- Many students now feel that the ROI is either not positive enough or is actually negative.

Financial State of Higher Ed

- Roughly 1,360 colleges and universities have seen declines in first-year fall enrollment since 2009, including about 800 four-year institutions.
- Nearly 30% of all four-year schools brought in less tuition revenue per student in 2017-18 than in 2009-10.
- About 700 public campuses received less in state and local appropriations in 2017-18 than in 2009-10, and about 190 private four-year institutions saw the size of their endowments fall relative to their costs.
- 30% of all colleges were operating in the red before COVID-19.
- 650,000 higher ed employees were laid off in 2020.

Approximately 1,700 IHEs were operating with less revenue than expense in 2019, and many of those had been in a deficit scenario for years prior to that.

As HEERF funding ends, so will the temporary reprieve.

<https://www.highereddive.com/news/moodys-lowers-higher-ed-outlook-to-negative-amid-coronavirus-crisis/574414/>
<https://hechingerreport.org/analysis-hundreds-of-colleges-and-universities-show-financial-warning-signs/>
<https://www.fitchratings.com/research/us-public-finance/inflation-federal-policy-to-weight-on-us-colleges-18-11-2021>



In the Past, We Were Bailed Out By:

- GI Bill
- Vietnam War
- Community Colleges
- Pell Grant
- Women Entering Higher Ed
- Online
- International
- Military

All of these have been tapped out. CARES Act was temporary.

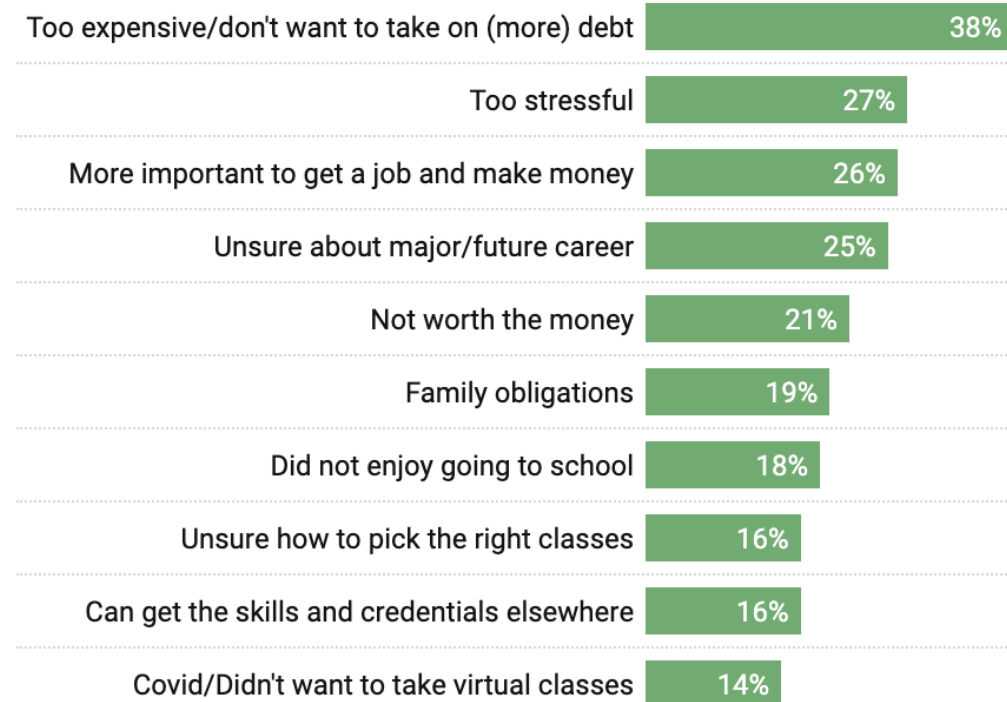
Deepening Trends

- Growth in non-credit market (Opportunity).
- Increase in number of college dropouts (Opportunity).
- Growth in combined program models: Guild, Grow with Google, etc. (Opportunity).
- Continued decrease in 2 and 4 yr enrollments (Threat).
- Worsening demographics (Threat).
- Worsening public opinions about the value of higher education (Threat).
- Shift away from college degrees as employment credential (Threat + Opportunity).
- Persistent resistance to proprietary education by public funding sources and policy elites (Threat).

2022 Survey of 2021 High School Grads Who Did Not Enroll in Any Institution of Higher Ed

Key Barriers to College

Cost is the main reason high-school graduates say they didn't attend or complete college. Stress and the desire to join the work force are other commonly cited reasons.



Note: Data reflect a spring 2022 survey of 1,675 high-school graduates, ages 18 to 30, who didn't go to a two- or four-year college or dropped out.

Chart: Audrey Williams June • Source: [Edge Research](#), [HCM Strategists](#), [Bill & Melinda Gates Foundation](#) • [Get the data](#) • Created with [Datawrapper](#)

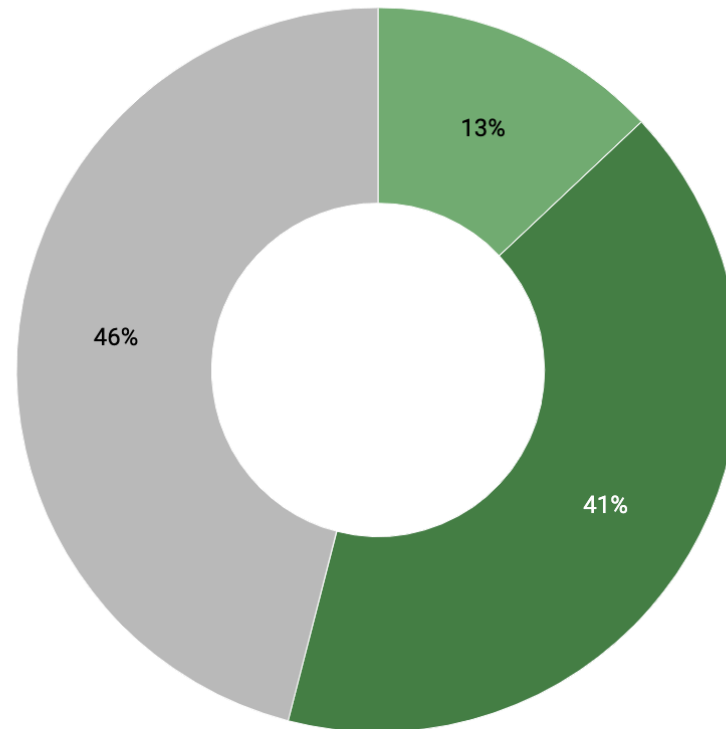
2022 Survey of 2021 High School Grads Who Did Not Enroll in Any Institution of Higher Ed

College Not in the Plan

More than half of young adults who never attended college or dropped out of it either are not sure that it's part of their future or don't plan to attend or return at all.

Future plans regarding college

■ Don't plan on going/returning to college ■ Unsure ■ Definitely plan on going/returning to college



Note: Data reflect a spring 2022 survey of 1,675 high-school graduates, ages 18 to 30, who didn't go to a two- or four-year college or dropped out.

Chart: Audrey Williams June • Source: [Edge Research](#), [HCM Strategists](#), [Bill & Melinda Gates Foundation](#) • [Get the data](#) • Created with [Datawrapper](#)

The Biggest Difference...

Then

Policy



Now

Market

“Your future has relatively little to do with gov’t policy and regulation and a great deal to do with market forces.”

Alternatives to College

Growing move away from college degrees

Short Courses

- Industry badges & certifications
- Boot camps

On the Job Training

- Ab-initio training
- Apprenticeships



Netflix bootcamp in partnership with Norfolk State University & 2U



Google certificate training in several areas made available to the public, blowing up both the degree and tuition models at the same time



Amazon training programs

Take as many courses as you would like with our \$99 monthly subscription fee. Our average student finishes a course in 33 days.

United States History I

3 Credits

Starting at
\$59 +

Introduction to Sociology

3 Credits

Starting at
\$59 +

College Algebra

3 Credits

Starting at
\$59 +

Western Civilization I

3 Credits

Starting at
\$59 +

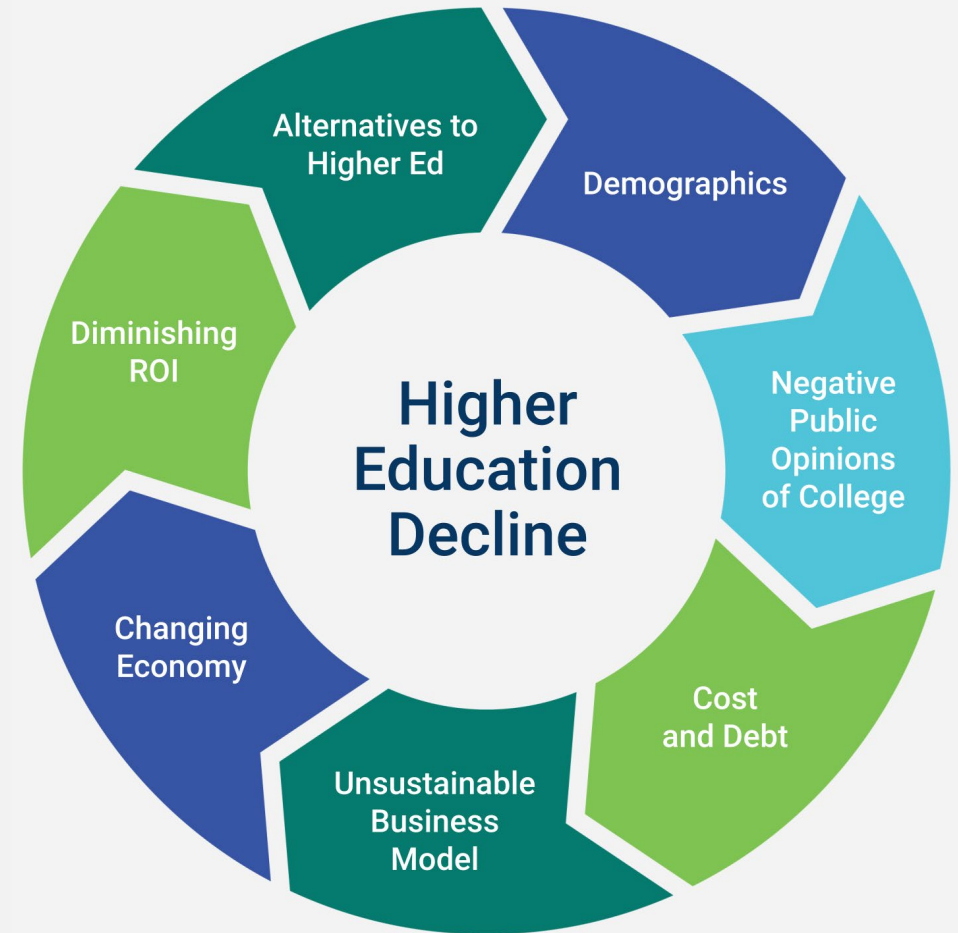
Straighterline

45,000 Students in 2021

The End of Higher Education As We Know It

- Higher education is at an existential crossroads in which a combination of external factors have conspired to render the traditional financial and operational models obsolete for a majority of institutions.
- About a third of all colleges and universities enroll students with some level of exclusivity, but as enrollment continues to decline the top will cannibalize the schools below it, decreasing exclusivity for all.
- A very small number of extremely exclusive and well-funded colleges can continue to operate much the way they have. This represents less than 10% of all IHEs.

There is a difference between being “open” and being relevant, robust, and sustainable.



<https://wallacekpond.com/2021/01/02/the-end-of-higher-education-as-we-know-it/>



Opportunities Going Forward

The Market | Product Strategy | Industry | Value Proposition



**“I want you to find a bold and innovative way
to do everything exactly the same way
it’s been done for 25 years!”**

This may sound familiar!

Definition

Transformational change is a *radical departure* from the status quo in an organization, leading to foundational changes in the *nature* of the entity. This can be cultural, structural, behavioral, the business model and market, product strategy and even the organization's mission and purpose.

Unlike transactional or incremental change, transformational change requires a deeper focus on culture, mission, and motivation, and often goes to the core of why people are in the organization to begin with.

The Old vs. The New

How many of
these boxes can
your school
check?

Traditional		Transformed
Academic Programs		Product Strategy
Fixed Academic Calendar		Just in Time Offerings
Transactional		Transformational
Proprietary/All in House		Shared/Partnerships
One Business		Multiple Businesses
Accredited		Industry Validated
Credit-Bearing/Degree Granting		Certificate/Industry KSAs
One and Done		Life-Long Relationship
KPIs		Sustainability
Standardized		Customized
Institutional Outcomes		Student Value Proposition

What Most Schools Need to Do Now

- Rethink your market: It's post-secondary, not higher ed
- Create market driven product strategy
- Sell workforce development rather than individual enrollments
- Reinvent relationship with industry
- Build non-TIV revenue streams
- Dump “one and done” for long-term customer relationships
- Explore last two student markets
 - 39 million with credits and no credential (InsideTrack effort)
 - Traditionally underserved students
- Deliver compelling value proposition



Improvements As Perceived by Students

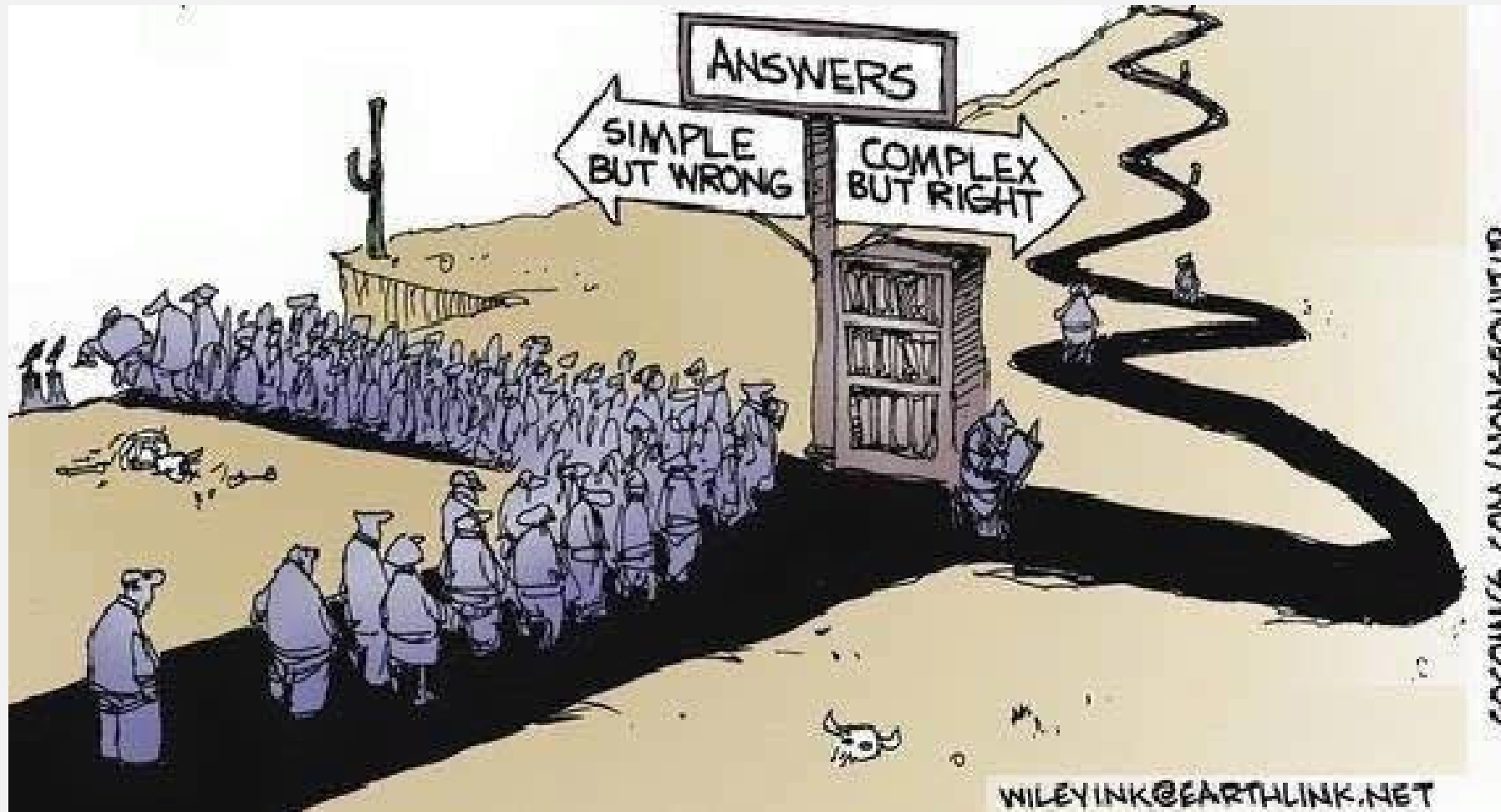
- Combined academic degrees and industry credentials
- Short, highly focused skills-based programs
- Much more affordable programs
- Subscription or subsidized models for “tuition”
- Industry delivered programs that will bypass higher education altogether
- Easy in and out (low friction experience overall)
- Virtual reality learning experiences
- Much less reliance on loans of any kind



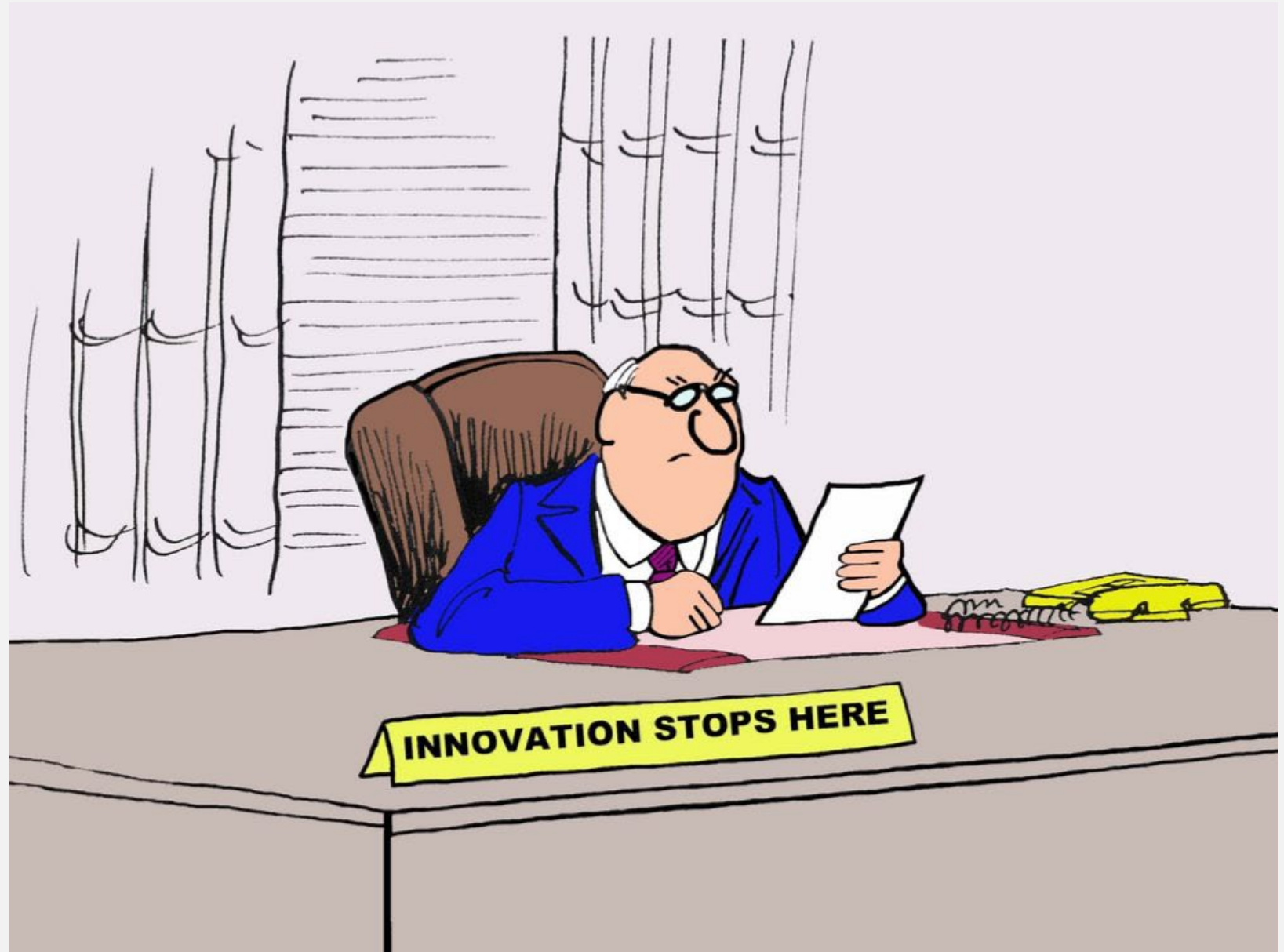
Reinventing the Past for a Better Future

Legacy Value	Reinvented
Career Skills	Non-Credit, Combined, and Stackable
Applied Curriculum	Apprenticeship/Internship from the Beginning for All Programs
Industry Focus	Workforce Development, Industry Developed Curriculum
Hi Touch	Digital, Remote, Low-Friction
Social Mobility	Little or No Debt with Life-Long Improvement

The Role of Leadership



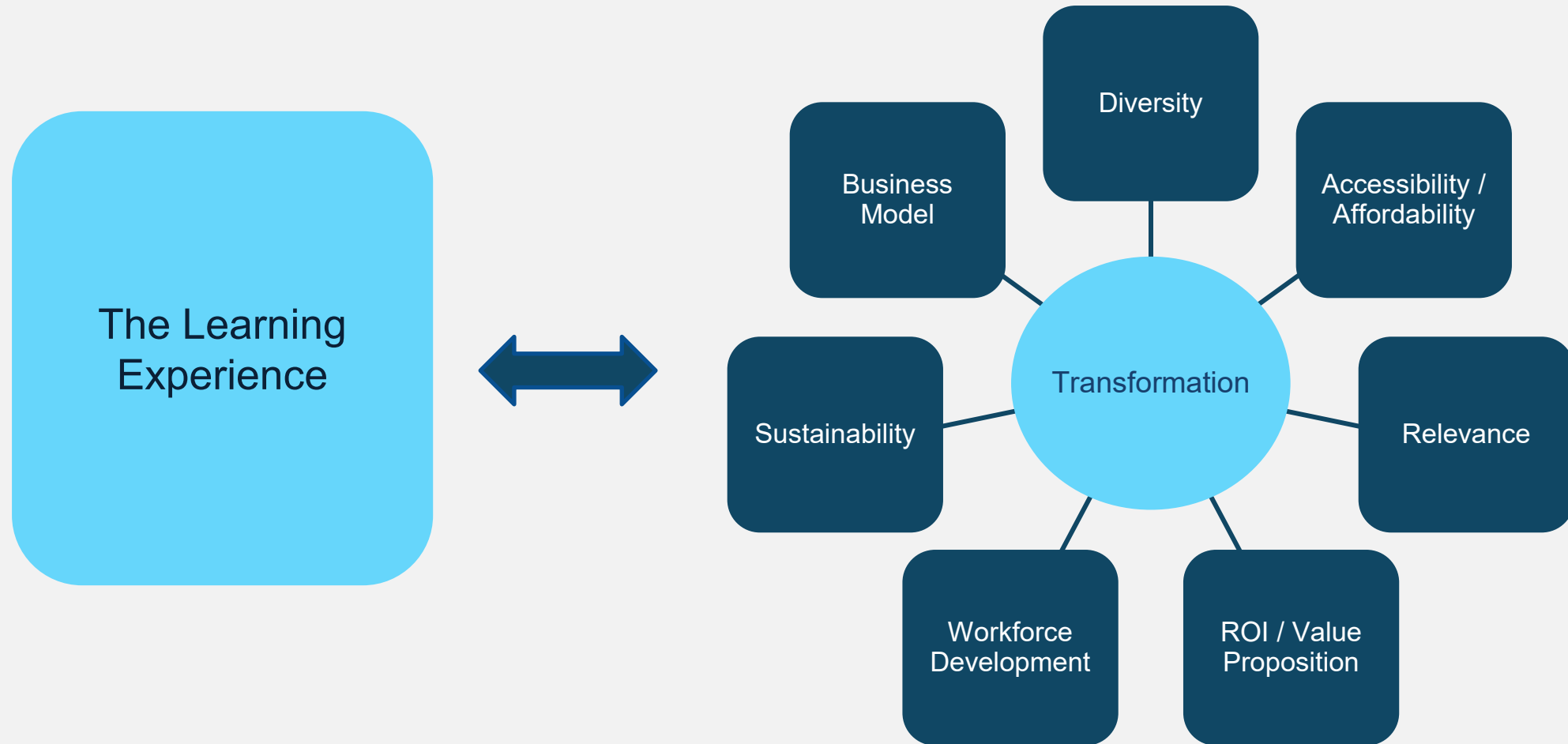
Most
Commonly with
Boards,
Owners,
Investors, etc.



The Challenge

Higher education is currently facing the greatest challenges in its centuries-long history. Even before the pandemic, the industry was in the 9th year of consecutive enrollment and revenue declines precipitating nearly 1,500 reorganizations, mergers, and closures. The traditional, credit-bearing, degree granting sector of the post-secondary education ecosystem is shrinking and will continue to decline for the foreseeable future. It is essential that when the shakeout is complete that the market, though smaller, be more dynamic, nimble, customer-centric, and better integrated with other elements of the post-secondary ecosystem than it is today. There is a critical role for higher education to play in the ecosystem, but only if there is broad transformation, leading to a compelling value proposition and concrete ROI across multiple stakeholder groups.

Foundational Issues to Be Solved



The Process

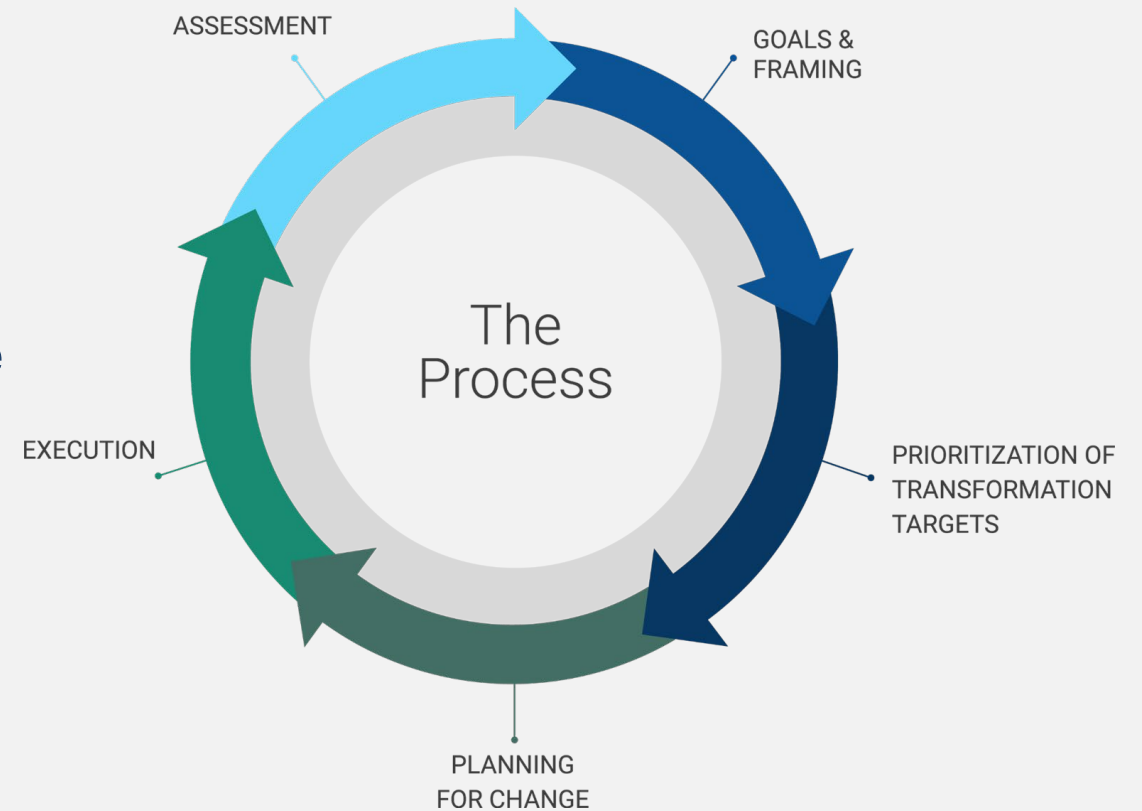
ANALYSIS

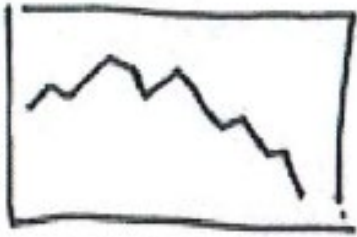
PLAN FOR CHANGE

IMPLEMENTATION

FOLLOW UP

- Risk analysis and benchmarking using a proprietary model
- Development of transformational change plan based on research and best-practice
 - Life changing educational experience
 - Support of operational excellence
- Execution of the change plan, capacity building, and operational improvements





Let's plan for
good luck.



Managing the current crisis
is essential to surviving,
but ***purposeful***
transformation is required
to thrive in the next
normal.

Summary

- Higher education has struggled before, but never faced all of the simultaneous external threats that exist today.
- The opportunity lies in post-secondary education.
- Career Education has much in its legacy to build on, but it can't be the way we've always done it.
- For most institutions, to thrive, and in some cases to even survive, they must engage in transformative change.
- The traditional channels of support for higher education are themselves broadly incapable of supporting transformation, which is where the *Transformation Collaborative*™ comes in.



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www.TransformationCollaborative.net

Game Changing Insights
Trends and Research

Contact Information

TransformationCollaborative.net



Transformation
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Thought Leaders Who Execute™

Wallace K. Pond, Ph.D.
Founder

wallace@transformationcollaborative.net
719-344-8195



Anthony Bieda
Founder

anthony@transformationcollaborative.net
703-399-9172

