

NEW WAYS OF STRATEGIC THINKING

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Dr. David W. Hanson

e: david@winthropassociates.com

e: david_hanson@branson.org

p: (415) 991-9942

Brief Biography

- **Education:**

- B.S., M.Ed., M.B.A., J.D., Ed.D.
- Business, Law, Education (Financial Governance)

- **Professional Background**

- 10 years' experience as an attorney (federal courts, litigation)
- 15 years in administration at RU/VH (Carnegie) Universities
- 10 years' experience in K12 independent schools
- New venture experience (4 companies launched since 2010)
- Fulbright Specialist Scholar alumnus (Pakistan & Scotland)
- Currently - CFOO, The Branson School (California)
- Principal, Winthrop & Associates
- Formerly - CFO and CRO, Philips Exeter Academy (New Hampshire)

Governance Trends

- Economy
- Capital Markets & Inflation
- Demographics
- Financial Aid and Pricing
- Political Climate and Turn-Over
- Social Media & Internet
- Mental Health

Governance & Strategic Challenges

- Great Recession of 2008 (lasting impacts)
- COVID
- Federal and State Regulatory Issues
- Student Safety and Mental Health
- Debt and Endowment Management
- Financial Aid & Discounting
- Fundraising & Economy
- Capital Markets & Inflation
- Shifting Demographics
- Financial Aid and Pricing
- Political Climate
- Social Media & Internet

Governance - Models

FIDUCIARY

STRATEGIC

GENERATIVE

Source: Chait, R. P., Ryan, W. P., & Taylor, B. E. (2005). Governance as leadership: Reframing the work of nonprofit boards (pp. 198). Hoboken, NJ: John Wiley & Sons, Inc.

Governance - Fiduciary

- Fiduciary Model:
 - Board's primary interest rests with the institution's financial strength and its "stewardship of tangible assets"
 - Board is bottom-line focused and most interested in ensuring that the institution remains financially viable

Source: Chait, R. P., Ryan, W. P., & Taylor, B. E. (2005). Governance as leadership: Reframing the work of nonprofit boards (pp. 198). Hoboken, NJ: John Wiley & Sons, Inc.

Governance - Strategic

- Strategic Model:
 - Board creates strategic partnerships with managing leadership of the institution
 - Board is slightly more evolved on the governance ladder, taking its role to another level where the board focuses on long-term strategy

Source: Chait, R. P., Ryan, W. P., & Taylor, B. E. (2005). Governance as leadership: Reframing the work of nonprofit boards (pp. 198). Hoboken, NJ: John Wiley & Sons, Inc.

Governance - Generative

- Generative Model:
 - Board approaches duties by defining problems and opportunities (precede strategy)
 - Board “generates” next-level ideas
 - Backs up intellectual processes, defines core problems, reexamines critical issues
 - Board redefines the “playing field”

Source: Chait, R. P., Ryan, W. P., & Taylor, B. E. (2005). Governance as leadership: Reframing the work of nonprofit boards (pp. 198). Hoboken, NJ: John Wiley & Sons, Inc.

Which Model is Best?

- Management and boards **may operate according with all 3 models**, changing between models given varying institutional priorities
- Boards function in different ways, but must:
 - Develop **mission and strategy** for the institution
 - **Monitor** performance and holding management accountable
 - **Hire/fire** (when necessary) President or CEO
 - Develop and **conserve resources**
 - Advocate for institution across **community**
- To evaluate the most appropriate model (or mix of models) under which a board should operate, it is vital to understand the context, culture, goals, trust, responsibility and institution's history

Source: Chait, R. P., Ryan, W. P., & Taylor, B. E. (2005). Governance as leadership: Reframing the work of nonprofit boards (pp. 198). Hoboken, NJ: John Wiley & Sons, Inc.

Governance Focus

- Per Moody's, **management and boards must question assumptions** in long-range models and “**no longer accept status quo**”:
 - More financial accountability by *boards and management*
 - Better control over tuition increases (operational sustainability)
 - Increased focus on process centralization, economies of scale, and operational efficiency
 - Growing demand for transparency, outcomes data, and data-driven decision-making
 - Clearly demonstrate product value and quality and projected ROI
 - Ongoing resistance to tuition increases and growth of financial aid budgets

Mission and Strategy

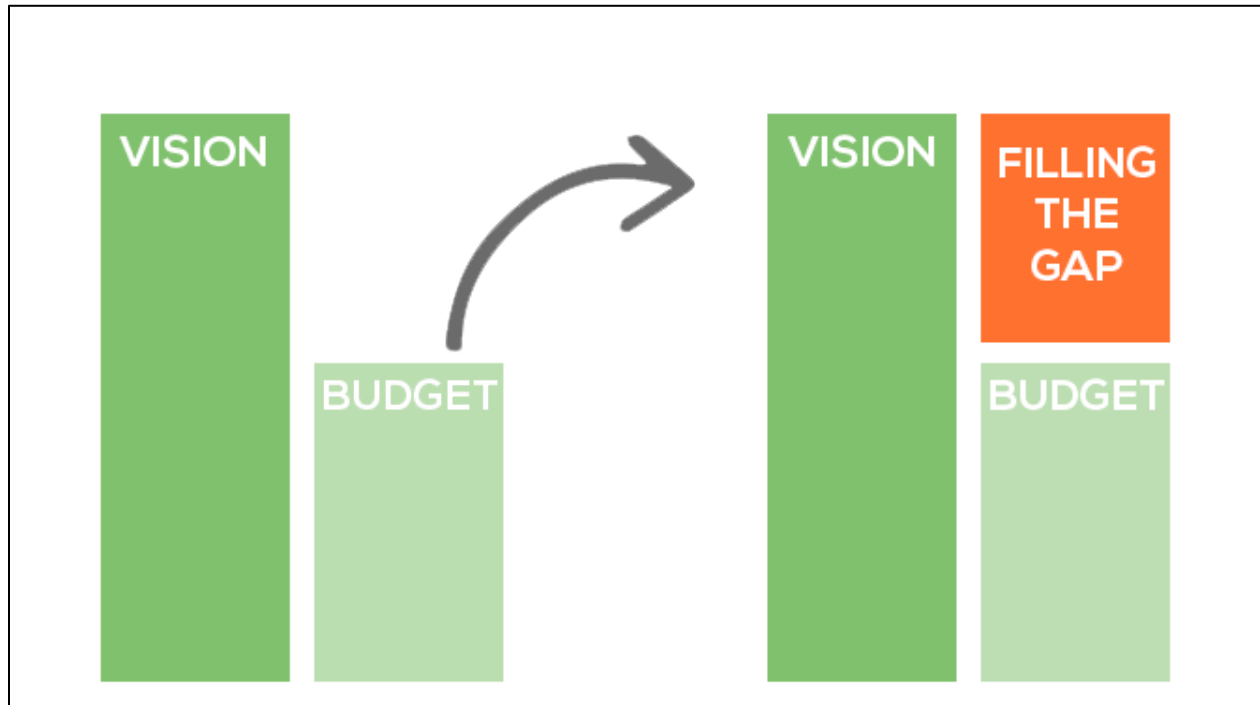
- What is mission?
 - Mission is “the broad purpose that society expects the organization to serve” and requires a linkage “between the environment and the organization” (Gibson, Ivancevich, & Donnelly, 1979).
- Who is responsible?
 - Everyone
 - And, organizational culture matters... (Kuh & Whitt (1988), Trice & Beyer, (1993), and Tierney (1988)).

Mission and Strategy

- What is Strategy?
 - Google or Amazon - 188,000,000 or 119,769 “hits”
- Frameworks and Models
 1. Chabotar Framework
 2. Porter’s Five Forces Model
 3. Six Forces Model
 4. Blue Ocean Strategy
 5. New Economy Strategic Model
- Financial Strategy
 - Mishkin, F. S. (2007). *Monetary policy strategy*. Cambridge, MA: MIT Press.
 - Schwartz, D. (2010). The future of finance: how private equity and venture capital will shape the global economy. Singapore: John Wiley & Sons, Pte. Ltd.

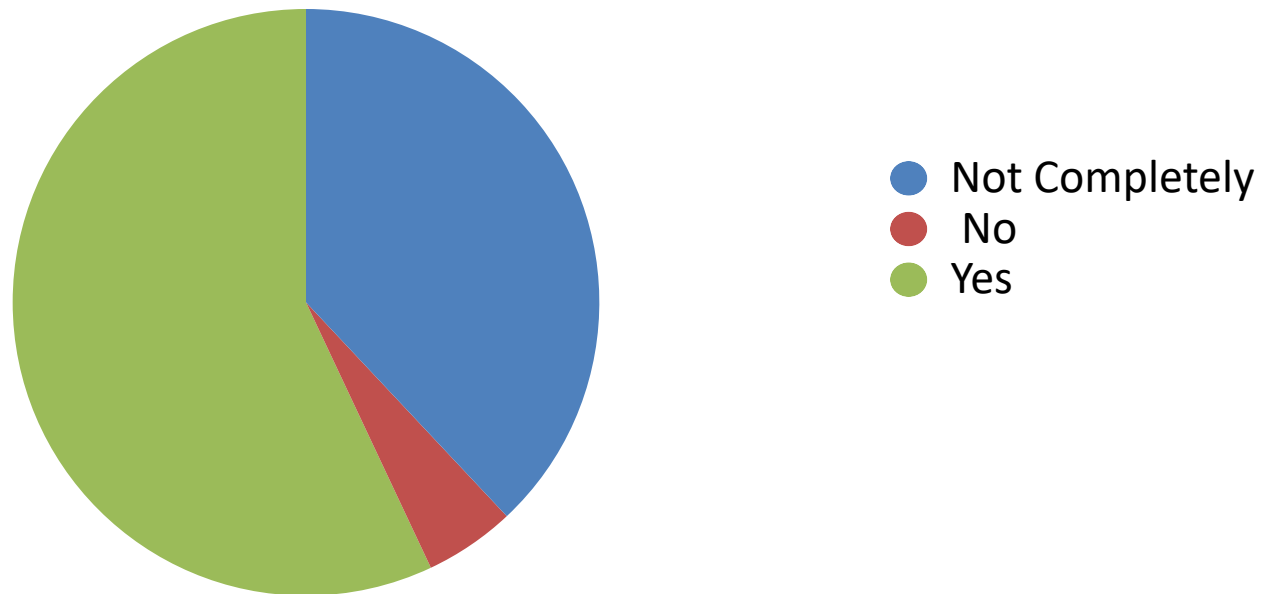
Strategic Models

Strategy and Budgeting



Strategy

Can you state your strategy?



2010 HBR survey to 1,075 respondents on HBR's Advisory Council (various industries)

Strategy Questions

School leaders should ask the following questions about their stated “advantage” and the business model it’s built on.

- Is the school’s **business model** sufficiently linked to its key differentiators?
- Are the **unique differentiators**, while appealing, enough to sustain the business model or help the school stand out from its competition in a meaningful way?
- Are the unique differentiators **what parents and students want**?
- Is the school’s **advantage well-defined** and the student population in the current market large enough to sustain it?

Strategy Formulation

Why do we in education assume that strategy and execution must come from above?

“It’s commonly held that strategy is distinct from execution, but this is a flawed assumption. The idea that a strategy can be brilliant and its execution poor is simply wrong.”

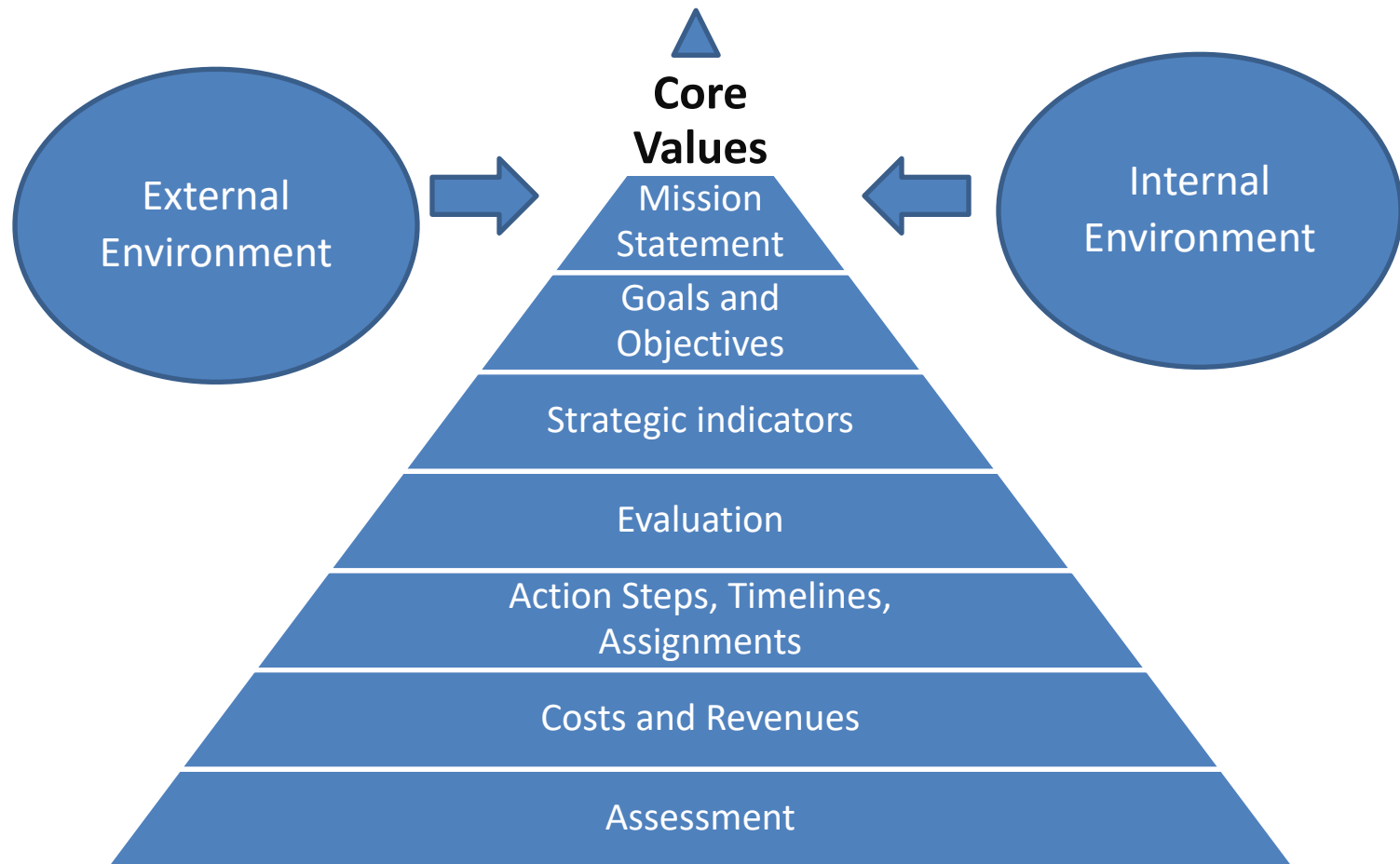
Strategic Models

1. Chabotar Framework
2. Porter's Five Forces
3. Six Forces Model
4. New Direction Model



5. Blue Ocean

Strategic Planning



Source: Chabotar, K.J. (2006). *Strategic finance: Planning and budgeting for boards, chief executives, and finance officers*. Washington, DC: Association of Governing Boards.

Mission and Strategy

- 5-Forces Model (Michael Porter)



Mission and Strategy

- Six Forces Model
 - Extension of Porter's 5-Forces Model
 - More robust than standard SWOT Analysis
- Components:
 1. Competition
 2. New Entrants
 3. End Users/Buyers
 4. Suppliers
 5. Substitutes
 6. **Complementary Products/Government/Public**

Strategy Planning Shift



National Association
of Independent Schools

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Traditional Strategic Planning Must Shift to Embrace Less Certainty and More Insights

Winter 2023

By Greg Bamford, Crystal Land



This article appeared as "Control Alt Delete" in the Winter 2023 issue of Independent School.

When you hear the words "strategic planning," what do you think? *Data terror? Workload hell? Dullsville?* Or do you think: *Joyful? Creative? Insightful?* Do you fear a top-down strategy that doesn't relate to the real work schools do every day? Or do you visualize a plan to help your school see the path ahead more clearly—and create new possibilities for the future?

The strategic planning processes we participated in 15 or 20 years ago are examples of a traditional strategic planning process—one that still exists in many schools. Following a SWOT analysis, a large team quickly formed groups tasked with preset goals. Each goal area had a single word or phrase to direct their work: faculty, finance, physical plant, fundraising. While team members debated the initiatives and action

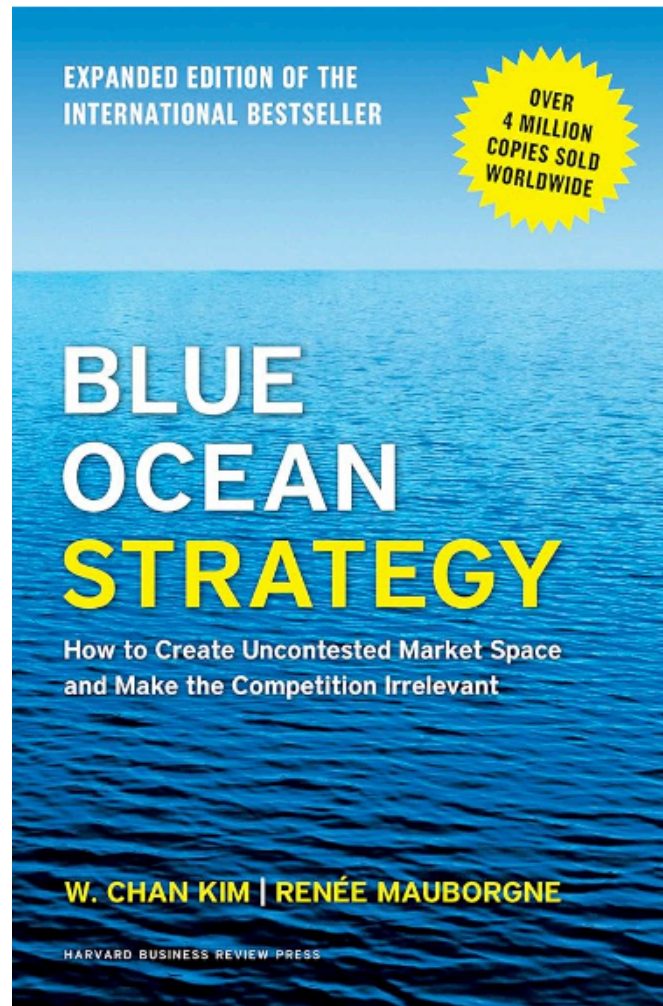
steps long and hard, the final strategic plan read more like a menu at the Cheesecake Factory than an inspired strategy for change.

Source: <https://www.nais.org/magazine/independent-school/winter-2023/traditional-strategic-planning-must-shift-to-embrace-less-certainty-and-more-insights/>

The background of the slide is a photograph of a vast, deep blue ocean with small, choppy waves. The horizon line is straight and divides the image roughly in half. Above the horizon, the sky is a clear, light blue, populated by several large, fluffy white cumulus clouds. The text is centered in the middle of the image, overlaid on the ocean.

Blue Ocean Strategy in Higher Education

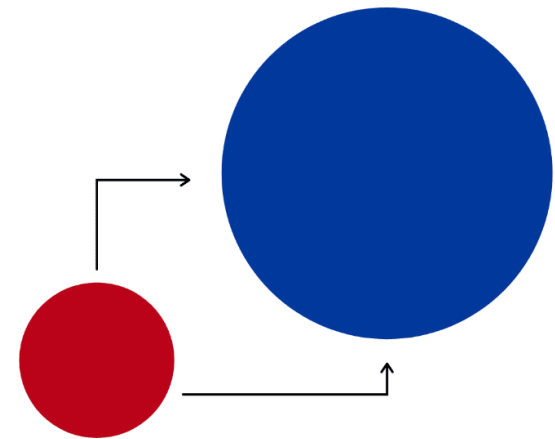
Blue Ocean Strategy



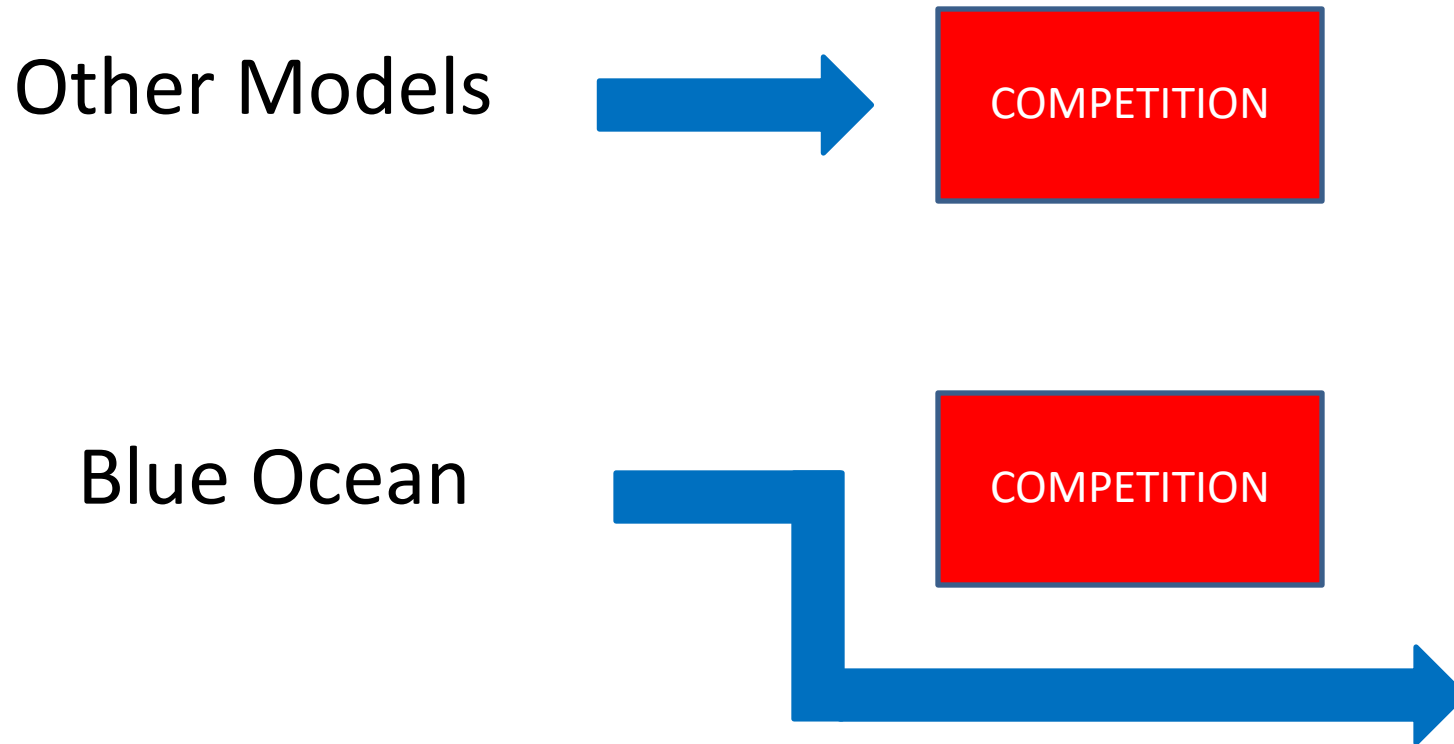
Source: <https://www.blueoceanstrategy.com/what-is-blue-ocean-strategy/>

Blue Ocean Strategy

BLUE OCEAN STRATEGY is the simultaneous pursuit of differentiation and low cost to open up a new market space and create new demand. It is about creating and capturing uncontested market space, thereby making the competition irrelevant. It is based on the view that market boundaries and industry structure are not a given and can be reconstructed by the actions and beliefs of industry players.



Blue Ocean vs. Other Models



Blue Ocean Strategy

- Characteristics of Good Strategy
 - Focus, Divergence, Tagline
 - Does the strategy have focus?
 - Does the value curve diverge from competitors?
 - Does tagline communicate a clear strategic profile?
- Look at other industries, strategic groups, chain of buyers
- Look across time
- Look at new market space
- **Beware of benchmarking!**

Blue Ocean Strategy

- Develop a Strategy Canvas
 - Capture current state of play
 - Determine investments
- Embrace a Shift in Thinking
 - From competitors to “alternatives” and non-customers
- Increase Value and Decrease Cost
- Four Actions = New Value Curve
 - Eliminate
 - Reduce
 - Raise
 - Create

Blue Ocean Models

- Create Strategic Canvas
- Define Attributes
- Consider the Offering Level
- Define the Competition
- Map the Curve!!!!



Blue Ocean Strategy Canvas

ELIMINATE

Which factors that the industry takes for granted should be eliminated?

REDUCE

Which factors should be reduced below the industry standard?

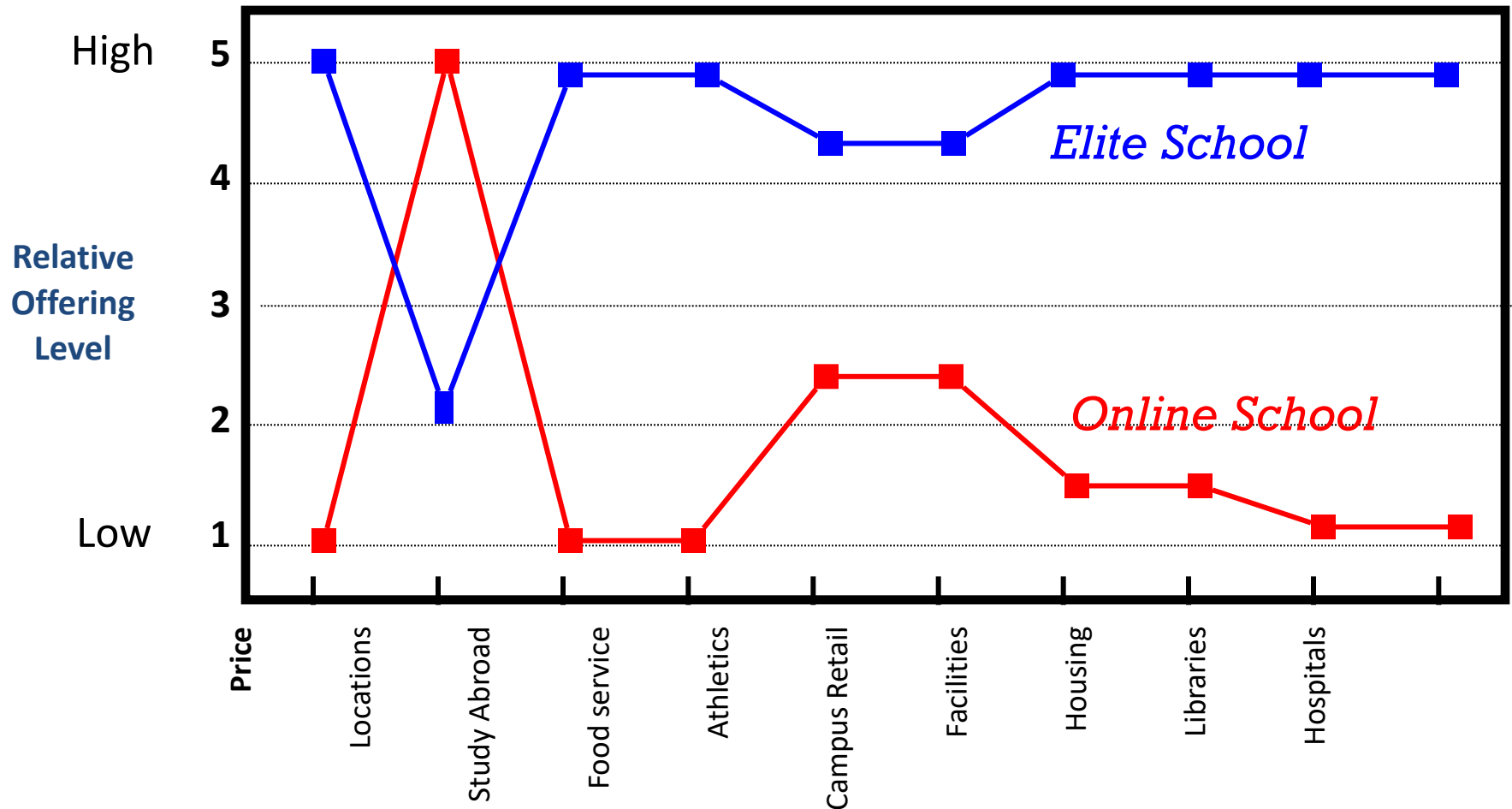
RAISE

Which factors should be raised well above the industry standard?

CREATE

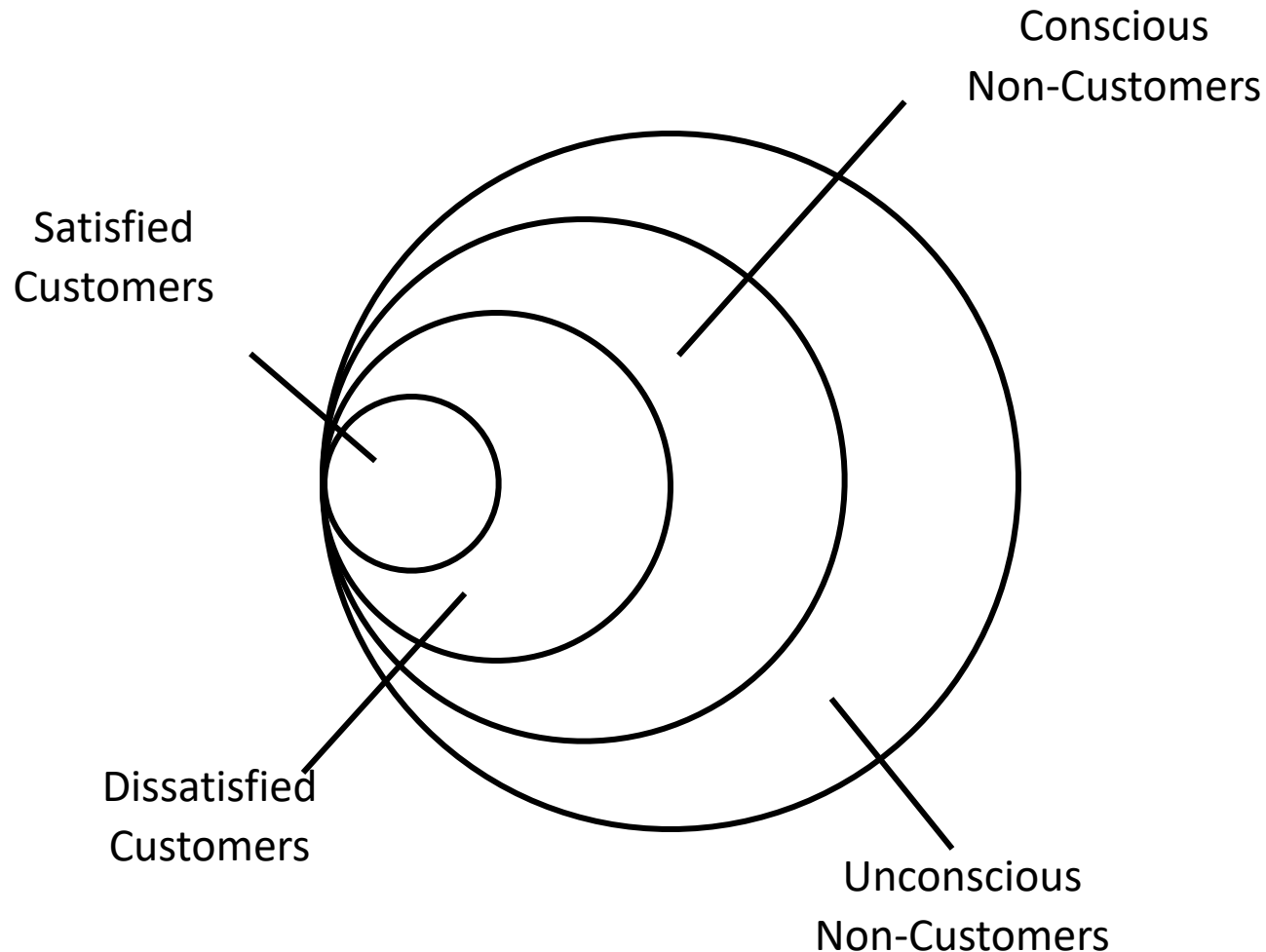
Which factors should be created that the industry has never offered?

Example - Elite School



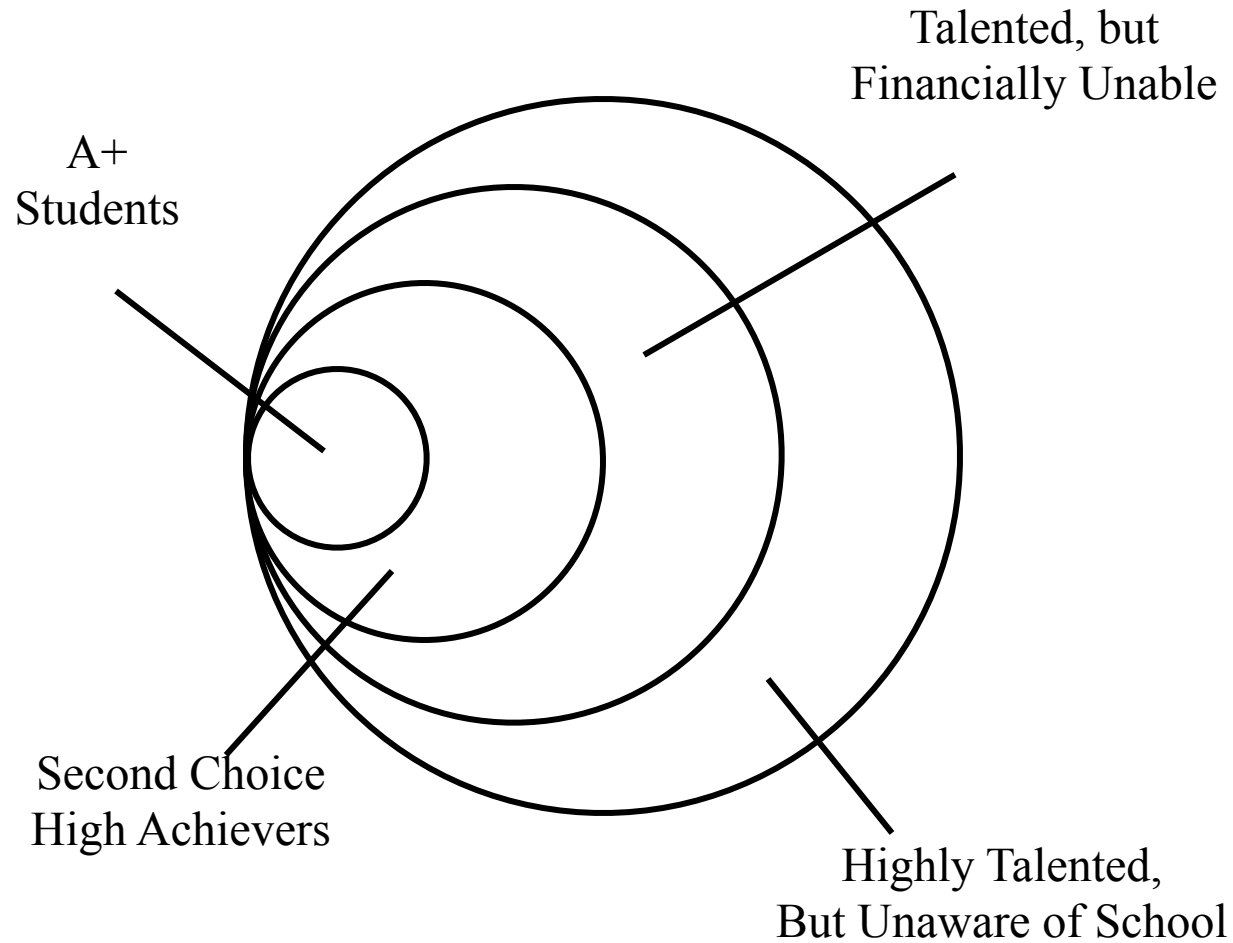
The Non-Customer Opportunity

Sample Independent School



The Non-Customer Opportunity

Elite Independent School



When is a Budget Strategic?

- When the budget:
 - Demonstrates factual awareness of current circumstances and needs;
 - Benchmarks with competitors, peers, and aspirants;
 - Identifies strategic priorities and goals;
 - Is based on objectives, action steps, assignments, and long-range plan;
 - Measures progress with strategic indicators;
 - Undergoes annual assessment, with the results made public;
 - Contains “what if” scenarios; and
 - Includes plan achievement as an indicator of the CEO’s (and perhaps others’) performance.

Budgeting

- Primary Institutional Budgets
 - Operating
 - Capital
 - Cash (Liquidity)
 - Strategic Plan
 - Investment
 - Discretionary
 - Debt
 - Deferred Maintenance
 - Contingency



Source: Chabotar, K.J. (2006). *Strategic finance: Planning and budgeting for boards, chief executives, and finance officers*. Washington, DC: Association of Governing Boards.

Budget/Resource Models

1. Fund Budgeting
2. Responsibility Centered Administration (RCM, ETOB or Formulaic Decentralization Method (FDM))
3. Performance-Based Methods
4. Mission-Market-Performance (MMP, divides university resources into 3 categories: Assignable, Attributable, Central)
5. Line-Item Budgeting (traditional method at most institutions)
6. Objective and Task Philosophy Budgeting
7. Block Budgeting (Redistribution Block)
8. Activity Based Costing (apply costs to processes, not line-items)
9. Float, Discretionary or “Slush Fund” Budgeting
10. Black Box Budget Allocation (Delta Cost Project)

KPIs and OKRs

- Strategic Plan (Metrics)
- Comprehensive Campaign Success
- Net Assets
- Net Asset Trends
- Endowment Per Student
- Liquidity Ratio
- Viability Ratio
- Primary Reserve Ratio
- Debt Burden Ratio
- Turnover (Voluntary and Involuntary)
- Risk Indicators
- Budget Models (1, 3, 10 year)

The Next 100 Years?

END OF MATERIALS