what if great is not good enough?

*Why the discussion of **value proposition** is critical for schools*

BY GRANT LICHTMAN

In the fall of 2008 I travelled to Vero Beach, Florida for the annual meeting of Benchmark Research Group's JRPO consortium, joining heads and business officers from 55 other schools to discuss collective data and critical issues.

On Sunday, before the meeting began, our hosts led us on a placid kayak paddle through steamy mangrove back-bays and shallow creeks full of birds, fish, and fresh water dolphin. Late in the afternoon, dark clouds gathered and we made it off the water and into our cars just as a tremendous thunderstorm broke overhead. At the time, we did not realize this storm was an apt metaphor for the economic news of the days ahead.

On Monday, the news from Wall Street and Main Street started to trickle through on smartphones. CFOs excused themselves to call their bankers and bondholders. Heads called board chairs. We were experiencing a degree of economic uncertainty that no one in the room had seen in his or her lifetime.

Smartly, the group decided to revise the meeting schedule. Rather than discussing outsourcing food service or funding capital campaigns, we decided to get the whole group together to discuss the elephant in the room: the now-exploding economic crisis. We shared ideas and reactions in real time. Of all that was said, the one major take-away that stuck with me (representing the best ideas of 75 very bright, experienced, senior independent school leaders) was this:

The best defense against even the largest challenges in the marketplace is to be great at what you do.

For independent schools, thinking about what makes us great seems a routine exercise. We provide an excellent education that prepares students to be successful in college and beyond. As expenses and tuition have continued to increase at a faster rate than either incomes or the cost of living, the focus of discussion in our community over the last decade has been on financial sustainability. Whether on blogs, at major annual conferences, or among small groups of school leaders, the driving question of the last ten years has been how to continue to pay for what we all generally believe is a superior college preparatory education for our students, both now and in the future.

This focus on financial sustainability was good, but I am afraid it shielded many of us from thinking about the even larger issue that was brought front and center by the collapse of 2008 and the "new normal" economy. That larger issue is the question of value proposition. What is the value proposition of an independent school education in the social, economic, political, and technologic environment of today and tomorrow?

A value proposition is generally defined as a statement of why a customer should buy a product or service, or why a product or service adds more value than that of a competitor's. Wendy Maynard of the consulting firm Kinesis adds another definition that resonates with schools: "Your value proposition should identify and remedy an unmet need that your customers face. It should relieve their pain." In the case of independent schools, that pain would clearly be the aspiration for a great education and future for our children and the frustration of not finding that in public school options. Bob Pagano of Red Sky Insights defines a value proposition as the difference between where you want to be and what you currently offer, in the eyes of your client community. The critical nature of this definition of value, and the discussion it can lead to, is that it clearly states that value is related to who and what we say we are.

A school's value proposition is different from its mission or vision. The mission and vision define the foundational principles against which we measure our program and ourselves. The value proposition is the reason for customers to spend money on our mission and vision. These are two very different aiming points.

For many independent schools, the core value proposition has been pretty straightforward for many years: we provide a safe environment with faculty who are attentive to the needs of each individual child, and we deliver an educational program that prepares our students to succeed in college. While individual schools tailor aspects of their programs to differentiate themselves in the marketplace (and fulfill individual missions), this basic value proposition has been the gold standard. It's easy for customers to interpret, too: in the eyes of our clients, we provide this safe, nurturing, and rigorous academic service better than most public schools. There has been relatively little gap between our mission and our ability to meet it, ensuring a consistent value proposition.

In the decade prior to 2008, schools were able to increase tuition at rates higher than the cost of living. Many worried that this trend was not sustainable, but for a time, it appeared (and for some fortunate schools this is still the case) that the value proposition increased enough to forestall declines in admissions. In other words, the positive benefit differential between our education and the alternative was greater than the pain caused by paying the increased cost. We know now, however, that in fact this differential was partially sustained by a decrease in admission selectivity, which translates into a lower average value proposition among enrolled families.

It did not take a genius, even in 2000, to look ahead and see that compounding cost increases over the following 10-15 years would result in some pretty steep tuition rates and a likely significant fall-off in prospective clients. Many schools financed program and facilities renovations (enhancing their value propositions) by adding students. Others tried to add to endowment or find other non-tuition sources of revenue. This discussion of financial sustainability was largely carried out in finance committee meetings and inside the business office, by looking at long-range models that balance revenues and expenses. Enhancing financial sustainability as a function of elevating the value proposition of the institution was not a first line of defense.

Then came the fall of 2008. Many schools suffered immediately, and almost all schools developed plans to cut costs if demand tanked. For some, those plans have gathered dust on the shelf; for others, they have meant the difference between keeping the institution alive and shuttering its doors. But for all schools, the last several years have brought about some fundamental changes in that boilerplate independent school value proposition that served us perfectly well in the past.

What we need to do now is confront how the world has fundamentally changed, and evaluate how our old value proposition stands up in light of these changes. Of the long running list of these challenges that I keep on my desktop, here are five fundamental changes in our world that impact the value proposition of every independent school:

1 **THE NEW NORMAL ECONOMY** The trend lines won't suddenly reverse. Faculty and staff cannot expect a future where both annual raises exceed inflation and employment is virtually guaranteed. Real leaders will frame these discussions in terms of value proposition and make it clear that those who contribute to the value proposition will stay.

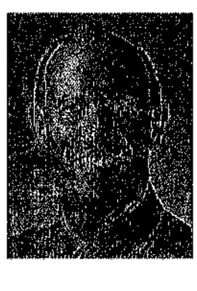
2 **NEW TECHNOLOGY** Ubiquitous use of handheld mobile devices is a foregone conclusion. We have to adapt to their use in our schools. With them, we can cut costs, leverage human capital, and enhance the value of what our students learn in ways we are just starting to imagine.

3 **THE COLLEGE TICKET** Entrance to a good college cannot be the sole outcome of our educational model. Assuming that acceptance to a good college guarantees the same lifetime security that it has for past generations is potentially fatal, due to future economic conditions (jobs), competition (millions of qualified graduates overseas), and exclusivity (college courses posted free on the web).

4 **CURRENT PROGRAM AND FUTURE DEMANDS** We agree that we need to teach a curriculum that catches up to the Information Age and is not anchored in the Industrial Age. Waiting until we research, survey, beta test, and fully prove assessment strategies is not the answer. The sacred cows (calendar, schedule, class size) need to be taken on to make room for intriguing options like flipped classrooms.

5 **EMBRACING INNOVATION** We have roughly 500 years of history and knowledge about how institutions have evolved, innovated, and managed change. There is science behind why Google prospered and General Motors did not. Schools have felt immune from these principals, but we are not. We must embrace risk, trust in the talent of our teachers, and communicate the excitement of innovation to our clients.

Our customers expect us to define a mission, then live it. Schools that do will provide a clear value proposition to their clients. Wrapping back to 2008, if we want to spend more time paddling the fascinating waters of a mangrove ecosystem and less time dodging thunderstorms, we need to shift from *hoping* we are great to *ensuring*, in the eyes of our clients, that we are. ■



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