

Creating A Commercially Sustainable Unitec

A Blueprint for Business Development



Unitec
Institute of Technology
TE WHARE WĀNANGA O WAIRAKA

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1. Introduction

Unitec is New Zealand's largest institute of technology, with more than 20,000 students studying over 150 work-oriented programmes. Unitec offers leading employment-focused education at campuses in Mt Albert, Waitākere and Albany.

The Unitec journey thus far has been largely evolutionary and has focused on delivering on the core principles of practical education solutions designed to deliver work-ready graduates that can meet the employment needs of Auckland and the greater New Zealand economy.

Unitec's challenge as a key tertiary education provider is to remain relevant to the needs of the community in terms of producing skilled graduates in areas of study that correspond to demand from employers.

In terms of funding, there is also an economic challenge, as with other educational institutions, to minimise the dependence on direct government funding and become more self-reliant.

Unitec's stakeholders require it to evolve its delivery model to become more independently viable and at the same time continuously improve its education model to ensure high-quality outcomes for a greater number of students.

These drivers require Unitec to evolve its business model and mode of operation to ensure that it has a strong commercial foundation on which it can sustainably deliver its educational outcomes and targeted strategic outcomes into the future.

Unitec's objective, through the adoption of commerciality, is to generate additional revenue and profit that can be utilised for reinvestment in its educational offerings. The desired outcome is not profit for the sake of profit – but for the purpose of developing and delivering exceptional education outcomes for Unitec's constituents.

Unitec is in a unique position, with an ability to use its considerable assets and significant market strength to deliver a programme of change. Unitec must look to strengthen and broaden its revenue base to increase earnings from non-government funding sources so that it has greater control over its long-term success. It must increase the financial and commercial disciplines utilised within the business to support strategic and academic outcomes.

The future journey will require the whole organisation to adopt an increased focus on commerciality. This change programme will create a future-focused, financially sustainable organisation that is aligned with Unitec's 3.0 transformation strategy.

In recognising this need, Unitec has established the Business Development function to drive the development of commercial initiatives that deliver diversity and strength of financial performance.

The primary goals for Business Development at Unitec:

- » To play a key role in Unitec achieving specific growth goals:
 - The measurements of success are incremental revenue of \$50m by 2025 delivered with a net margin (surplus) of 20%.¹
- » Diversify revenue streams to provide a broader base of commercial income.
- » Introduce cultural change across Unitec in relation to bringing a commercial focus and professional rigour to business decisions and management of commercial ventures.
- » Implement and embed robust and transparent processes for the evaluation of commercial projects and the allocation of resources.
- » Maximise the beneficial outcomes for Unitec from commercial activities, industry partnerships and development projects.
- » Identify, evaluate and pursue new business opportunities both within New Zealand and internationally in order to increase revenue.

¹ Appendix 1 – Revenue forecast

2. The Need for Change

For Unitec to embrace a more commercial culture the organisation needs to actively drive and embrace change to its current mode of operations.

It is recognised that there is a need to employ specialist resources within the institute to effect not only the required change in culture, process and methodology in the current business, but also to embrace an entrepreneurial ethos for the identification and pursuit of new and diversified revenue streams.

As part of the overall transformation strategy currently underway, it is recognised that in the rapidly changing education environment Unitec must take ownership of driving change from within – before it is forced upon it from outside.

This transformation requires a process of continuous redevelopment in the academic sector – embracing new teaching methodologies, new forms of student integration, increased interaction with industry and employers, and ensuring that the courses offered are both relevant and commercially viable.

To this end, Unitec needs to be a strong, financially sustainable business that has the resources and the desire to invest in a continual process of growth and improvement. This is the fundamental imperative behind a greater commercial focus in all that Unitec does.

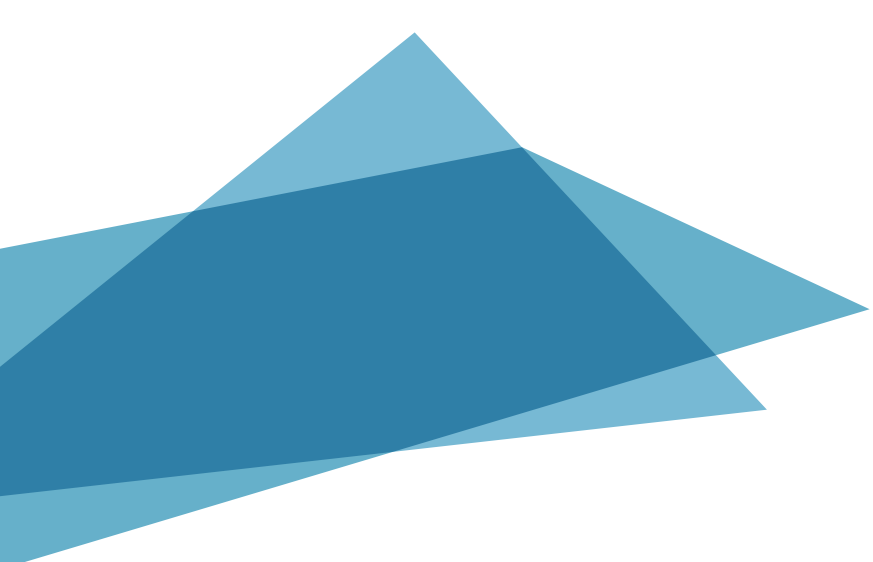
Growing commercial outcomes to drive positive educational outcomes

Unitec will need to ensure that it can allow business imperatives to operate cohesively within a remodeled organisational DNA. Academic programmes need to continue to develop with a strong focus on pedagogy outcomes, but this also requires a commercial lens. The commercial lens is simply another way of reviewing programmes, but by no means the most important.

In addition to driving the embracing of commercialisation across the organisation, Business Development will also operate independently of the academic faculties in order to pursue business opportunities targeting growth and diversification of revenues.

A key driver of these commercial opportunities will be the fostering of closer relationships with external parties in the form of business alliances and partnerships. These partnerships will often result in the dual benefit of improved opportunity for academic and student engagement and commercial returns. In this regard, it is essential that Business Development and academia can co-exist in this sphere and work cooperatively to deliver the best possible outcomes for both students and Unitec as a business.

Industry connection is still critical for all the departments within Unitec. Business Development will simply take the lead when revenue diversification is the primary purpose of the relationship.



3. Strategic Imperatives

Unitec has identified four key strategic drivers in its strategic plan:

- 1. Meeting the needs of our communities**
- 2. Enhancing the student experience**
- 3. Innovation in teaching and learning**
- 4. Being an excellent business**

Business Development is specifically focused on delivering the imperative of “being an excellent business”. This includes the sub-goals of enhancing the revenue mix and reducing reliance on government funding.

These goals will be met implicitly through the cultural and behavioural changes to be led by Business Development in driving the embrace of strong commercial outcomes across the organisation; and explicitly through the identification, evaluation and pursuit of entrepreneurial business ventures by the Business Development team.



Business Development primary functions

Business Development will grow and diversify Unitec's income through enabling and accelerating the delivery of strong commercial outcomes for Unitec.

Business Development will provide centre of excellence capability to support the wider business to prepare, qualify, prioritise and execute business initiatives in a timely and efficient manner, with a focus on maximised commercial returns.

Success in this will look like:



From This	To This
Strong reliance on government funding to support Unitec operations	Significant income streams being derived from non-EFTS-related revenue sources
Minimal leverage of Unitec IP and capability for commercial gain	Unitec IP and capability replicated for export and external business development opportunities
Unclear definition of expected outcomes from commercial relationships and alliances	A centre of excellence recognised both internally and externally as the home of commercialisation for Unitec - with clearly defined outcomes for each engagement
Little consideration given to the commercial outcomes of new course development	New course opportunities to include consideration of commercial benefits and opportunities to leverage resources for gain

To build Unitec's organisational DNA to include capability on commercial outcomes alongside its core academic business objectives.

Success in this will look like:

From This	To This
Inconsistent and diffused approach to the evaluation and management of commercial opportunities	A consistent framework and organisational approach for all commercial endeavours
Partnerships and other formal external engagements are ad hoc in approach and outcomes are mixed	Unitec has a structured pathway and mechanism for the establishment and management of partner programmes and commercial alliances
Resources for the management of projects and initiatives are dispersed across the organisation, delivering inconsistent outcomes	A centralised Programme Management Office will provide the framework, tools, resources and governance to manage all business development projects in an effective manner
International business engagement is fragmented and lacks ownership across the organisation	A consistent and effective engagement strategy and capability with clear financial and business objectives

4. The Role of Business Development

The role of Business Development is primarily to be the owner of commercialisation across Unitec.

As a functional entity it will own and drive the core strategy of Unitec being a better business. This will encompass the introduction of robust business practices for the evaluation, measurement and management of business projects, as well as implementing a commercially focused rigour around resource investment decisions.

As a business entity Business Development will be responsible for growing and diversifying Unitec's income. This will involve leveraging intellectual property assets, exporting Unitec capability internationally and working with alliance partners to deliver innovative and income-generating growth opportunities.

Business Development seeks to implement a new model for the management and governance of commercial ventures, development projects and external business relationships to improve and maximise the benefits to Unitec from the resources allocated to these ventures.

Business Development will become a key service provider to the rest of the organisation through the development of robust processes and the provision of experienced commercial capability. Business Development will be a catalyst for change – adding a new layer of capability to Unitec around commercialisation.

It is anticipated that with demonstrated success in the pursuit of specific business development opportunities, the methodologies employed will be further utilised across Unitec as a model to be replicated and extended.

What does “commercial” mean?

Commercial, in the context of Unitec, means to leverage the assets and capability of Unitec to generate additional revenue and profit for the organisation.

This essentially means that Unitec will seek out opportunities that are complementary to its educational activities, but which are primarily focused on delivering financially driven outcomes.

The intention of this commercial activity is to generate income that can ultimately be used to fund the ongoing development and provision of educational offerings.

Shifting the commercial balance

Business Development has been chartered with growing and diversifying Unitec's revenue and profit, and growing the acceptance of having a commercial aspect to the organisation. Specific measures established to reflect these goals include:

Driver	KPI	Measure of Success
Grow Unitec's core business	<ul style="list-style-type: none"> • Deliver new EFTS through JV type arrangements (onshore or offshore) • Deliver additional revenue and operating surplus from new service-based offerings 	<ul style="list-style-type: none"> • 1,500 new EFTS by 2020 • \$5m income and \$550,000 operating surplus by 2020
Improve Business Development project management capability and effectiveness	Implement Commercial Project Steering Group	<ul style="list-style-type: none"> • PSG operational by end of CY14 • All new projects running through new process by January 2015
International growth	Increase revenues from sale of IP internationally	Revenues from international (offshore) sales of \$1m by 2017
Diversification	Development of joint ventures and alliances that deliver on Unitec's strategic goals	<ul style="list-style-type: none"> • Launch of four profitable new joint ventures/alliances in the New Zealand market by end of FY16 • Establishment of Unitec Ventures as a vehicle for the commercialisation of Unitec business opportunities

Specifically, Business Development's goal is to increase the income derived from "other" sources. This means generating income from sources other than government funding for core student-related activities.

5. Foundation – Creating Commercial Capability

The Business Development group is developing a central core of capability and structure that will underpin the drive for commercial success.

The key elements that form the foundations of Business Development include:

Business Development and Commercial Advice

One of Business Development's primary objectives will be to scan the New Zealand environment for potential commercial opportunities that lead to diversified revenue. Business Development will also provide advice to projects that are classified as "Emergent Business" or "Education Led".

In these cases Business Development will play a role as commercial adviser to the project owner within Unitec to ensure the quality of the project outcomes are at the required levels.

They will also ensure that a commercial mindset and rigour has been applied to the evaluation, business case development and implementation of the project.

International Business

This will be a discrete business function that provides consistency in approach and engagement for international business opportunities, delivering a positive and tangible shift in international revenue for Unitec.

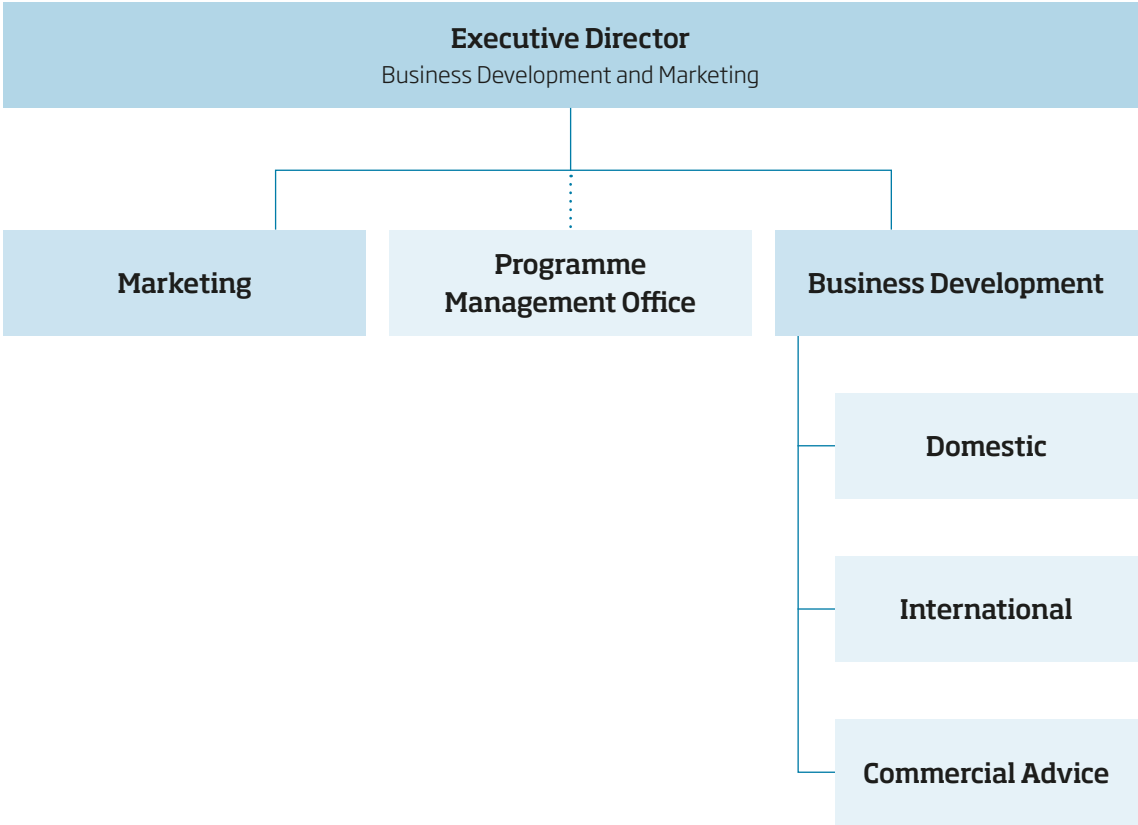
The initial focus for Business Development will be the expansion of export opportunities to commercialise Unitec courses and thereby the sale of our intellectual property in other countries. Business Development will ensure strategic alignment across all international business opportunities.

Marketing

The Marketing function will become part of the Business Development team. This reflects the importance of marketing in terms of creating a market-based proposition and communication strategies that engage our target audiences in a manner that will maximise our outcomes – in terms of student enrolments as well as community and industry engagement.

A specific marketing strategy will be developed separately and is not covered in this document.

Organisation Structure



6. Project Methodology

The focus of this methodology in the short term will be commercial ventures. It will allow for new methodologies to be tested and refined without

impacting on “business as usual” activities. The process for approval of new ventures will depend on the core activity driving the project:

Activity	Key Drivers	Process
Academic	Educational Outcomes	Academic Approvals Process
Commercial	New Revenue for Unitec	Commercial Projects Process
Property	Leveraging Property Assets (unshackling the property anchor)	Property Governance Structure
Infrastructure/Operations/IT	Capital Investment Projects	Capex Approval Process

What constitutes a commercial project?

It is important to distinguish between a “commercial project” and a “business as usual” project for Unitec. Essentially, a commercial project is a venture or opportunity where the primary outcome is delivering new revenue to Unitec, as opposed to the development of a core business activity.

Business Development will manage and run:

- » New business ventures
- » International sales opportunities
- » The sale or export of intellectual property assets for commercial gain
- » Development of new courses (such as short courses) which are not part of the core curriculum and whose purpose is primarily revenue growth
- » Commercial partnerships and alliances
- » Joint ventures which extend Unitec beyond its core teaching framework (for example The Mind Lab)
- » Utilising Unitec assets for commercial gain.

Business Development will assist with commercial advice for all other projects:

- » Core teaching curriculum activities (i.e. course development and extensions)
- » Property development projects
- » Infrastructure and capital spend projects.

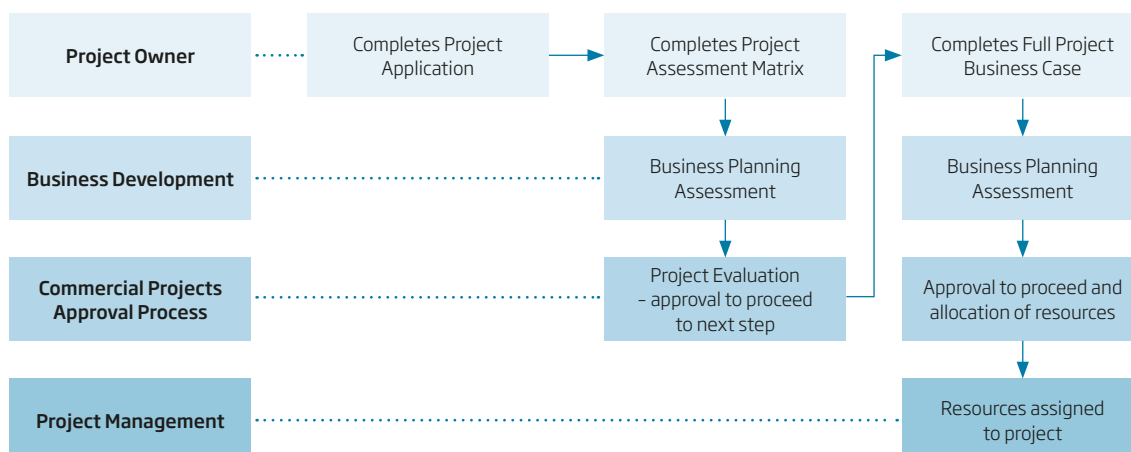
The commercial projects process

Business Development projects will go through a formalised evaluation process to ensure robust review prior to the allocation of resources to the projects.

Evaluation will essentially be a two-step process. The first step involves filling in a project brief and initial assessment (templates can be found on the Business Development page on our Intranet under ‘Services’. This is to be undertaken and approved prior to significant time and resources being spent on developing a full business case.

This step ensures that all projects pass an initial “sense check” to ensure alignment with Unitec strategy and a high-level assessment of the commercial viability of the project.

The second step entails a full business case to be developed and submitted for approval prior to allocation of project and management resources.



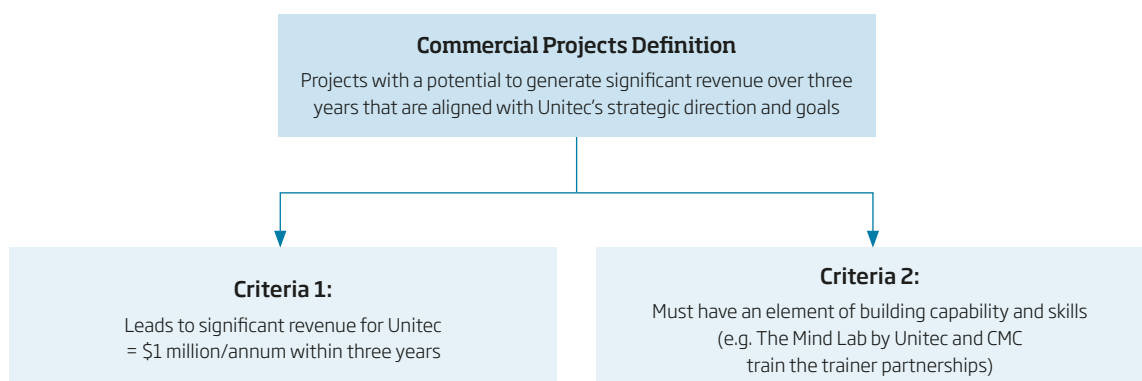
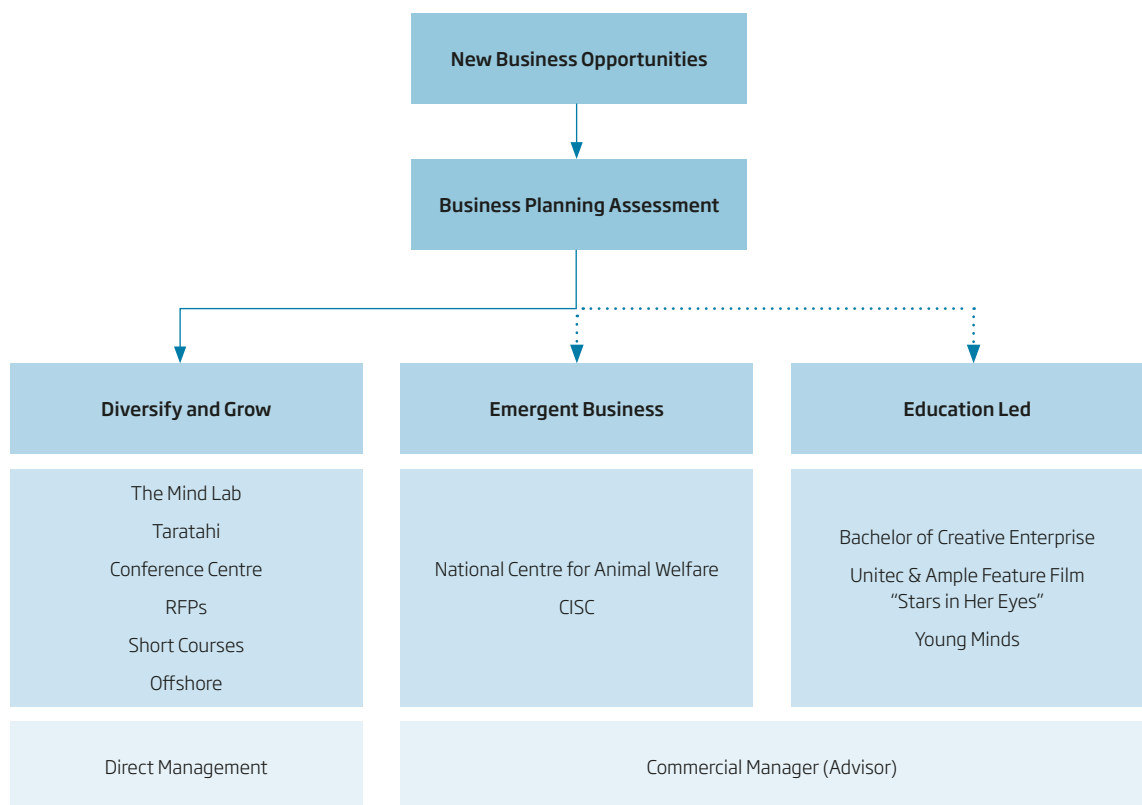
Resources from within Business Development will be assigned to projects following an evaluation by Business Planning and a classification of the project into one of three core categories.

“Diversify and Grow” refers to new revenue-generating business opportunities that will be led by Business Development through the evaluation, business case and implementation phases. These opportunities will often include joint venture or alliance relationships with external parties.

“Emergent Business” refers to new revenue opportunities that are essentially an extension

of existing Unitec operations or functions – and require support from Business Development to ensure commercial rigour and process is applied. These projects will typically be managed from within another Unitec operational centre.

“Education Led” refers to projects that are opportunities centred on expanding Unitec’s teaching curriculum and providing additional, revenue-generating educational programmes. These projects will be provided assistance from within Business Development to ensure that commercial discipline is applied to the evaluation and approval of these projects prior to implementation.



7. Progress to Date

A high number of business opportunities have been identified and are in various stages of development.

Current projects include:

Development/ Business case stage:

» **Agriculture Education Programme**

A partnered approach with Taratahi Agricultural Training Centre (Masterton), which focuses on the delivery of market-appropriate vocational agricultural education programmes in Auckland

» **PTE**

Establishment of a Unitec Private Training Establishment (PTE) that provides us with an effective feeder programme for core Unitec programmes, as well as providing (West) Auckland youth with a meaningful pathway to further education and employment.

Implementation stage:

» **The Mind Lab by Unitec**

A joint venture with The Mind Lab to deliver a new postgraduate qualification for teachers in digital and collaborative learning.

Expansion stage:

» **IBM, Concentrix**

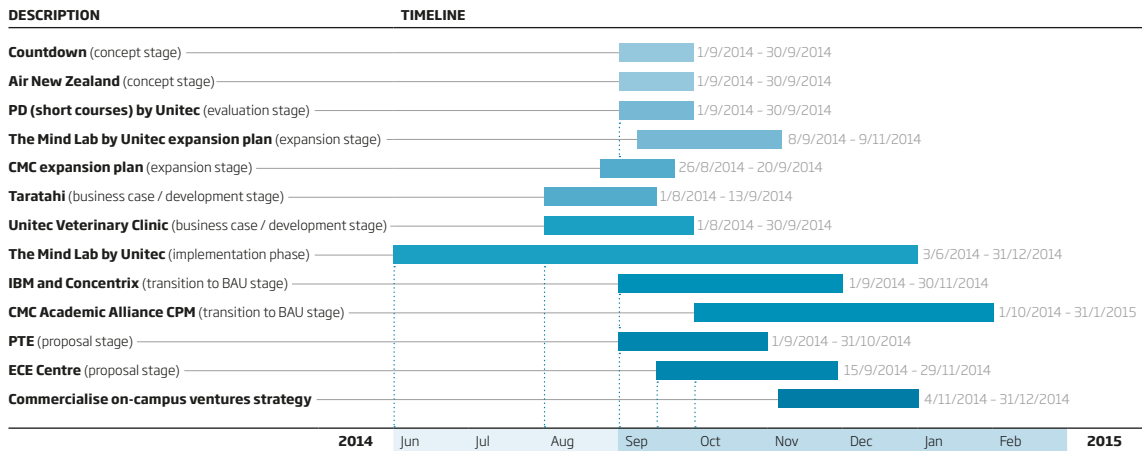
A formal relationship involving a physical operation on site at Mt Albert and part-time job opportunities for students, as well as formal earn-as-you-learn programmes, scholarships, internships and contribution of IBM and Concentrix staff time to learning.

» **CMC India**

An academic alliance to introduce international-standard vocational programmes into the Indian market via the Indian partner CMC as a local certification. CMC has more than 140 centres across India. The first programme was launched in the Hyderabad Convention Centre on 5 August 2013. This has expanded to five other centres. Further expansion is underway to introduce multiple programmes through this alliance.



The pipeline for new opportunities includes the following:



TASK(S)

Duration (days)	Start Date	End Date	Description
30	1/9/2014	30/9/2014	Countdown (concept stage)
30	1/9/2014	30/9/2014	Air New Zealand (concept stage)
30	1/9/2014	30/9/2014	PD (short courses) by Unitec (evaluation stage)
63	8/9/2014	9/11/2014	The Mind Lab by Unitec expansion plan (expansion stage)
26	26/8/2014	20/9/2014	CMC expansion plan (expansion stage)
44	1/8/2014	13/9/2014	Taratahi (business case / development stage)
61	1/8/2014	30/9/2014	Unitec Veterinary Clinic (business case / development stage)
212	3/6/2014	31/12/2014	The Mind Lab by Unitec (implementation phase)
91	1/9/2014	30/11/2014	IBM and Concentrix (transition to BAU stage)
123	1/10/2014	31/1/2015	CMC Academic Alliance CPM (transition to BAU stage)
61	1/9/2014	31/10/2014	PTE (proposal stage)
76	15/9/2014	29/11/2014	ECE Centre (proposal stage)
58	4/11/2014	31/12/2014	Commercialise on-campus ventures strategy

8. Next Steps

Socialising Business Development and embedding a new organisational DNA

The success of this approach will require that the whole organisation understands and embraces the new model and mode of operation. Business Development must successfully socialise and embed the new models into the core operating framework and business DNA of Unitec.

This will require a range of focused workshops and business unit engagements where the overall strategy for commercialisation will be shared – and the specific models of engagement with Business Development explained.

In effect, this has already begun – with Business Development being actively engaged in a number of new business opportunities and providing support to other departments across Unitec in evaluating and driving improved business outcomes.

The implementation of the new evaluation and governance process can be immediate and will demonstrate in a very practical sense how the new model is used to drive decision making and allocation of resources to opportunities.

Implementation of the commercial project process

The new evaluation process has been in pilot testing within the Business Development group and is now ready for deployment to all new commercial projects.

All new commercial projects will now utilise this process – commencing with the development of a project brief and assessment, with the support of Business Development – for submission to the Project Steering Group for appraisal and approval.

The Commercial Projects Steering Group will be established with a charter outlining the functions, roles and mandate for the group.

A reporting structure is in development to ensure transparency and full visibility of project status and deliverables on a regular basis.

9. Summary

What is changing?

As part of an overall transformation programme, Unitec is embarking on an era of a greater commercialisation focus in all of its activities.

Business Development has been employed to lead this change – and to bring a level of discipline, process, mindset and entrepreneurial endeavour to business opportunities at Unitec.

This change will ensure that Unitec is well positioned to leverage its significant assets and industry relationships to create a foundation of commercial enterprise that will both increase and diversify Unitec's income.

Why is Unitec changing?

Unitec has a vision to be the benchmark in delivering employment-focused tertiary education for motivated learners. This vision sees Unitec as a first-choice education provider delivering outstanding outcomes for its students.

To enable this vision, Unitec needs to be a strong, financially sustainable business that has the resources and the desire to invest in a continual process of growth and improvement.

A strong commercialisation focus is required to change the culture and the mode of business operations at Unitec to enable this financial strength and viability, independent of government funding.

How is Unitec changing?

Specialised and focused Business Development resources have been employed to implement new methodologies for evaluation, decision making, management and governance related to commercial business opportunities.

Business Development will lead this change process and actively pursue the goal of growing and diversifying Unitec's income streams.

Business Development will become a centre of excellence for the pursuit of commercial ventures and for improving the outcomes from existing business enterprises. New methodologies will ensure that resources are allocated in a manner enabling the maximisation of returns from those resources.

Ultimately, these new methodologies and the commercialisation focus will become second nature across the organisation and will see a strong alignment between business and teaching activities and the pursuit of Unitec's long-term vision.

