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# LEADING TRENDS

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## How To Prepare for What Is Coming



**A** recession is almost certainly coming, the problem is in predicting exactly when it will arrive and how deep it will be. This statement would be true at any moment in time—recessions do in fact always roll around after booms—but today’s headlines are chock full of dire warnings based on one or another indicator that seems to be trending toward the negative. To make matters even more complex, by its very nature the onset of a recession can only be determined for certain in retrospect. This puts strategists

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in the almost medieval position of trying to see the future by reading the macro and micro-economic "tea leaves". No wonder that the headlines are confusing and at times contradictory with some announcing a **downturn** and others describing a **continuing boom**. McKinsey captures the spirit of the moment nicely with this line in a **recent article**, "Something's coming—we just don't know what."

Given the inevitability of a downturn and the uncertainty of its arrival date, how should the smart school be preparing now? Is it batten-down-the-hatches time or full-speed-ahead or something in between? Can an organization be too cautious; that is, might excessive caution actually invert to create more problems than it might mitigate? Tough questions with answers that vary depending on the school, its market, and available resources, but let's explore some of the themes.

First, focusing on the customer experience matters even more. It may seem intuitively obvious to ramp up your marketing spend or funnel more money toward financial aid, but there is enormous power in finding low-cost ways to satisfy, even delight, the students and families you already enroll. How? Well, there is no substitute for asking them and no better time than now as we emerge from a pandemic to find ourselves amid a war in Europe and global economic instability (cue the locusts for spring 2023). Use the Jobs-to-be-Done framework or just a simple conversation, but spend time listening to students and families so you can find ways of making their lives easier or their experience with your school better.

**“None of us were factoring a pandemic into our thinking about 2020 back in late 2019, and it would be folly to pretend that the threat of disruption from climate change, geopolitical strife, and, yes, the still ongoing pandemic is remote. Staying close to and caring for the people in your community has never been more important.”**

Recognize that **resilience is the new growth**. Many schools in demographically declining markets grew in enrollment during the pandemic as families fled public schools that couldn't navigate the pivot to remote learning, or even moved to find schools that were open to in-person learning. This may create the illusion that growth is still possible, but we believe that demography, ultimately, is destiny. Depending on your surrounding demography, adjusting to becoming a smaller school will become more urgent even if a downturn turns out to be shallow or fleeting. In this light, resilience—the capacity to adjust and endure—should be the new marker whereby boards and administrations measure their schools.

Keep foremost in mind that **people matter**, especially in humanistic enterprises like schools. Faculty, especially, are already hurting in the wake of the pandemic. Students, too, though probably in different ways. We believe that the pandemic plus current economic, political, and social tensions is having and will have a post-traumatic stress disorder (PTSD)-like effect on many of our colleagues and students.

Acknowledging this and helping temper expectations from board members and parents alike for a placid 2022-23 will be important right from the beginning of the new school year. None of us were factoring a pandemic into our thinking about 2020 back in late 2019, and it would be folly to pretend that the threat of disruption from climate change, geopolitical strife, and, yes, the still ongoing pandemic is remote. Staying close to and caring for the people in your community has never been more important.

**Demonstrate value in everything the school does.** Value often seems self-evident to those inside an industry, but making this clear to others can be a stretch. Connect the proverbial dots between what happens at school and student outcomes, whether at the middle school level or IB diploma programme results or in university matriculation. Data wonk followers of American baseball sometimes use a nonstandardized metric called "**wins above replacement**" to quantify an estimate of how much value a player adds in terms of how many more (or less) games are won compared with a typical replacement player. The best players demonstrate more wins above replacement by another, similar player. Figure out how to quantify the value your school adds to a student's life in terms beyond a very good competitor school and use these data to make the case for your school. Even when resources are scarce, people will still pay for value if you can demonstrate its presence.

Finally, look for **opportunities amid the damage**. Merger and acquisition interest in the education industry remains high, to say the least. Merger and acquisition activity, on the other hand, remains sporadic and stubbornly less than what one might expect. Nonetheless, many schools (and families) emerged from the 2008-09 financial crisis in weaker financial shape and with larger volumes of unfunded financial aid (read: net discounting). Compound this with profound demographic decline in many markets and most prudent play for some schools will be to combine with another while they still have assets to contribute. For stronger schools, another recession may yield opportunities to become even more dominant through absorbing a former peer.

## Summing Up

Our crystal ball is just as cloudy as yours. Nonetheless, taken together, the indicators as we enter a new school year suggest caution. A few very fortunate schools may find themselves in a position where full speed ahead makes sense; e.g., growing demography, strong current finances, deep resources, and a leading market position. Quite a number of fragile schools need to batten down the hatches and hoard resources. But, we believe the majority of private, independent schools will be well-served by navigating a course charted by the points above. Something is almost certainly coming.

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