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A Market for Success

How a Robust Service Provider Market Can Help Community
Colleges Improve Student Completion

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This report is informed by the perspectives of 385 community college leaders who participated in a nationwide survey, as well as 33 community college leaders, service providers, and field experts (funders, policymakers, academics, and researchers) with whom FSG conducted in-depth interviews. We thank each of them for their generous contributions of time and information. A list of interviewees may be found in the Appendix.

Disclaimer

All statements and conclusions, unless specifically attributed to another source, are those of the authors and do not necessarily reflect those of any individual interviewee or of the Bill & Melinda Gates Foundation.

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Table of Contents

Executive Summary	3
Introduction	6
This Report	8
What Community Colleges Need to Improve Completion and How Service Providers Can Help.....	9
Understanding the Service Market Today.....	13
Recommendations for Building a Service Market that Increases Completion	19
Conclusion	27
Appendices	28
Appendix A: List of Interviewees	28
Appendix B: Overall Survey Results	29

Executive Summary

Community colleges have made higher education accessible to millions of American students. In 2008, 44% of all U.S. undergraduates attended a community college as a path toward transferring to a four-year institution, to pursue a degree, to get professional training, or simply to take classes for their own personal interest. However, educators, business leaders, and policy makers across the nation are now recognizing the increasingly important role that community colleges must play in fueling a thriving workforce and economy. Community colleges are now being called upon to match their achievements in providing access to higher education with equal success ensuring that students graduate with degrees and certificates.

Community colleges will require help to meet this challenge. Shifting from a predominant focus on access to a focus on student success will require community colleges to invest resources and build new capacities. However, compared to their four-year counterparts, community colleges have historically received less funding and policy attention. Recent budget cuts across the country are also affecting community colleges, forcing them to deliver more with less. And at the same time, community colleges

are serving high and increasing numbers of students who have traditionally faced the greatest challenges in completing higher education, such as first-time college goers, low-income young adults, and students who juggle school with work and life commitments. In today's budget constrained environment, many community colleges lack the resources and internal capacity to improve success on their own.

Shifting from a predominant focus on access to a focus on student success will require community colleges to invest resources and build new capacities.

In light of this issue, the Bill & Melinda Gates

Foundation commissioned FSG to explore whether external service providers, when effectively deployed, can help community colleges build new capacities, overcome critical barriers to student completion, increase efficiency, and improve outcomes. To answer that question, FSG conducted secondary research, surveyed hundreds of community college leaders, and interviewed almost three dozen field experts to better understand what community colleges most need to improve student success rates, the landscape of service providers who can meet those needs, and whether a more robust market for external services would help community colleges deliver stronger results. This report is the result of that research and aims to inform the field and spark discussion about strategies for building a community college service market that promotes student success. Key findings in the report are summarized below and expanded upon in the full report that follows.

Community Colleges Most Need Support from Service Providers in Four Key Areas

In the survey and interviews, community college leaders and field experts identified a consistent set of the most critical areas of need in which colleges must make improvements if they are to achieve higher student success rates. While colleges believe they can meet some of these needs internally, they identified four key areas where external service providers are most needed:

1. Long-term planning for ways to **redesign institutions** to drive completion
2. **Use of data** to improve results
3. **Student services and structures** (particularly developmental education) that support completion
4. **Faculty development** to improve the quality of classroom instruction

The Community College Services Market is Underdeveloped

A healthy service market requires community colleges to have a demand for and capacity to engage and benefit from services, a supply of effective service providers, and sufficient funding to engage providers. But today, colleges look internally to fill many of their needs either because they are not confident in the quality, depth, or cost effectiveness of services or because they believe they can develop the needed capacities themselves. In turn, the supply of service providers is highly fragmented, their quality varies greatly, and few providers deliver the integrated, customized solutions that colleges expect. Moreover, a lack of funding and policy incentives hinders colleges from purchasing the services they need and discourages providers from creating new solutions or entering the community college market.

Building a Market that Increases Completion Will Require Multiple Actors to Take Steps to Improve Demand and Supply and Ensure Adequate Funding and Incentives

The research findings clearly conclude that a robust market for services can help colleges lower costs, meet their needs more effectively, and drive student completion. Yet building such a market will not be easy. Funders, providers, colleges, policymakers, and intermediaries can each play distinct roles in order to stimulate demand for and improve community college capacity to benefit from external services, improve the supply of effective providers, and build the market conditions for college-provider engagement. Additionally, markets may be most easily developed in states with a high potential demand due to conducive policy and funding environments as well as the presence of large numbers of community colleges and students.

Summary of Recommendations for Building a Robust Service Market that Increases Completion

Levers to Identify High Potential Markets	<ul style="list-style-type: none"> • Develop markets in states with <i>funding and other policies</i> that reward completion • Develop markets in states and regions with <i>high numbers of community colleges and community college students</i>
Levers to Improve Demand	<ul style="list-style-type: none"> • Improve <i>institutional capacity</i> to make effective use of services • Increase <i>awareness of providers</i> and their demonstrated effectiveness in improving completion
Levers to Improve Supply	<ul style="list-style-type: none"> • Provide <i>additional, high-quality services</i> in the areas of greatest need • Create a public system for <i>quality assurance</i> and communication of effectiveness
Levers to Improve Funding and Conditions	<ul style="list-style-type: none"> • Provide incentives to develop <i>low-cost, high-quality products</i> and services • <i>Aggregate demand and supply</i> to make high quality services more affordable and accessible

Recommendations by actor are included in the full report below.

Conclusion

Community colleges are increasingly called upon to help provide the foundation for a new workforce and economy. However, community colleges face significant resource and capacity barriers to increasing the number of their students who graduate, transfer, or receive a certificate with real labor market value. A robust market of effective service providers could play a crucial role in delivering quality services to address community colleges' most challenging needs in areas such as how to make use of data, plan for and manage organizational change, develop excellent faculty and staff, and support the highest need students to stay on track for college completion. Multiple stakeholders—from funders to colleges to policymakers to providers—can play distinct but reinforcing roles to help build a services market that is informed by what works, fueled by competition to supply the best services, and driven by a clear demand for the services that most directly drive student success.

Introduction

Community colleges play an important role in the U.S. higher education system, achieving notable success in extending college access to millions of first-time college goers and low-income students. Yet colleges are now being called on not only to ensure access, but also to increase student completion. Meeting this challenge will require help. In today's resource constrained environment, many community colleges lack the budget and internal capacity to improve success rates on their own. In response to this issue, external service providers, when effectively deployed, may be able to help community colleges build new capacities, overcome critical barriers to student completion, increase efficiency, and improve outcomes.

Community colleges play an increasingly important role in the U.S. higher education system and economy. In 2008, 44% of all U.S. undergraduates attended one of the country's nearly 1,200 community colleges.¹ These students enrolled for a variety of reasons—to pursue a degree or certificate, as a pathway to transferring to a four-year college, to obtain professional training, or simply to take classes for their personal interest. And they came from diverse backgrounds: 42% were first-generation college goers, 45% were minorities, and nearly two-thirds applied for financial assistance. Many also needed remedial education, enrolled part time, or juggled school with full-time jobs alongside other family or life commitments. Indeed, community colleges have done remarkable work in opening doors to education, often for the students who face the greatest challenges.

Yet as the nation shifts its focus to student completion, community colleges are being called on to do more. Many community college students do not graduate with a credential or degree. In fact, only 40% of community college students graduate or transfer to a four-year institution within three years.² This rate of success hinders our nation's economic growth and shuts off opportunity for people to enter the best and fastest-growing job sectors. Economists project that, through 2018, 63% of all new jobs will require more

than a high school diploma.³ To fill these jobs of the future, community colleges must match their achievements in access to higher education with equal success in ensuring that students graduate with degrees and certificates.

Recent efforts by policymakers and funders have been building momentum for student completion. In

As the nation shifts from a focus on college access to student completion, community colleges are being called on to do more. Meeting this challenge will require help.

¹ AACC 2011 Fast Facts

² <http://www.aacc.nche.edu/Publications/Briefs/Pages/rb11162010.aspx>.

³ Carnavale, Smith, and Strohl, "Help Wanted: Projections of jobs an education requirements through 2018."

2009, President Obama announced the American Graduation Initiative, which calls for an additional five million community college graduates by 2020.⁴ In 2011, the Department of Labor initiated a competitive, \$500 million fund to help community colleges prepare workers for jobs in the new economy.⁵ Ohio, Texas, Florida, Washington, and several other states are testing new funding policies that provide incentives for student completion. In addition, private funders have launched national initiatives like [Achieving the Dream](#) and [Completion by Design](#), which have increased attention and support for community college success.

Still, more is needed to dramatically increase student completion. Despite the efforts cited above, community colleges have historically received less funding and policy attention than their four-year counterparts. In today's resource constrained environment, community colleges receive just 27% of the federal, state, and local funds devoted to public degree-granting institutions.⁶ Moreover, states across the country are cutting their budgets—the largest source of community college funding—and will likely continue to reduce appropriations for higher education in the coming years. At the same time, community colleges are serving a large and growing number of students who have traditionally faced the greatest challenges in completing higher education, including first-time college goers, low-income young adults, and students who juggle school with work and life commitments. To address these challenges and increase student completion rates, community colleges urgently need to develop new capacities and systems. However, many lack the internal abilities, skills, knowledge, and resources to redesign their institutions for completion.

In light of this problem, the Bill & Melinda Gates Foundation commissioned FSG to explore whether external organizations, when effectively deployed, can partner with community colleges to increase their efficiency, overcome critical barriers to student completion, and improve outcomes.

⁴ http://www.whitehouse.gov/the_press_office/Excerpts-of-the-Presidents-remarks-in-Warren-Michigan-and-fact-sheet-on-the-American-Graduation-Initiative/.

⁵ <http://www.dol.gov/opa/media/press/eta/eta20111409.htm>.

⁶ Community College Issues Brief – 2010 White House Summit on Community Colleges.

This Report

The Bill & Melinda Gates Foundation is committed to improving postsecondary success rates for low-income young adults. This report, researched and produced for the Foundation by FSG, is intended to inform community college leaders, funders, and other community college stakeholders about the need, demand for, and supply of service providers that can support community colleges in their efforts to improve student completion. In particular, this report seeks to answer three key questions:

- Which **critical capacities** must community colleges develop in order to significantly improve completion rates over the next decade, and which of these are best supported by service providers?
- What is the **current level of supply and demand** for service providers?
- What are the **strategic implications** of the findings and how might community college leaders, providers, funders, and other key national stakeholders improve sector capacity moving forward?

To answer these questions, FSG conducted secondary research, interviewed 33 community college leaders, service providers, and field experts (policymakers, funders, academics, and researchers), and distributed a survey to 1085 community college leaders across the United States. In total, 385 community college leaders completed the survey for an overall response rate of 35%. Please see the Appendix for a list of interviewees and detailed survey results.

Defining Service Providers

For the purposes of this report, the term “service provider” refers to nonprofit and for-profit organizations, technical assistance providers, vendors, and any other external entities that work with community colleges to improve student success or organizational effectiveness.

What Community Colleges Need to Improve Completion and How Service Providers Can Help

Community colleges must make improvements in multiple areas to achieve higher rates of student success. This research explored which of those needs are most critical and how community colleges can best build their capacity in those areas. While colleges can address some of these needs internally, college leaders and experts agree on four key areas where a robust external service market is needed to build college capacity: redesigning institutions to drive completion, use of data, student services and structures to support completion (including developmental education), and faculty development.

Critical College Capacities

Based on the survey and interviews, the *most critical* capacities community colleges need to develop in order to improve student success include leadership, faculty development, use of data, student supports, and organizational re-design (see Appendix B Chart 1). These capacities cut across nearly every aspect of a college's operations.

Strong Leadership to Drive Transformation Efforts

Improving leadership's ability to pursue a completion-focused agenda is a pressing need both on individual campuses and in the community college field more broadly. Experts emphasized in particular that a deeper, more sustained focus is needed to equip leaders to drive institutional change and instill strong management practices at multiple levels of the institution. There is a dearth of effective degree programs to train future community college leaders as well as a lack of quality professional development opportunities for current leaders. In addition, whereas alternative leadership development programs have been established in the K–12 space (e.g., The Broad Residency, New Leaders, Teach for America), few exist in higher education. “*There's not a doctoral program in higher education leadership that I would recommend to my staff,*” said one college leader. As many current community college leaders approach retirement, concern is widespread about the availability of effective leaders to take their place.

Faculty Development, Particularly for Part-Time Instructors

For community college leaders, improving completion starts with improving teaching. In particular, experts stress that support is needed to improve the teaching skills of part-time or adjunct instructors who make up the majority (approximately 70%⁷) of community college faculty and yet may lack pedagogical experience. Moreover, since community colleges serve a higher proportion of high-need students than four-year institutions (including more first time college goers and more students who test into developmental education), instructors require additional skills and training to meet their needs. As one

⁷ A National Survey of Part-Time/Adjunct Faculty, American Academic Volume 2, March, 2010. AFT Higher Education.

college leader explained, *“If you want something sustainable and lasting, you have to go to the heart of what really matters—and that’s the teaching in the classroom.”*

Use of Data to Improve Completion

When used effectively, data is a critical tool to improving completion and community colleges spend a substantial amount of time collecting and reporting student data. Yet multiple college leaders remarked that while data is readily—even overwhelmingly—available, colleges struggle to use it to drive improvement in the classroom and across the organization. In the words of one interviewee: *“Colleges are awash in data. They have no problem with the amount of data; they have problems gleaning insight from the data they have. They don’t set up campus structures that allow them to extract meaning from data.”* While many college leaders acknowledge the importance of data-driven decision-making, use of data was rated the least developed capacity by survey respondents; 60% of leaders indicated that it was the “least developed” critical capacity at their institution (see Appendix B Chart 1).

Student Learning and Supports for a Diverse Student Body

To improve rates of student success and completion, colleges need to support students better, particularly high-need students, in and outside of the classroom. In particular, interviewees cited developmental education as an area for focus given the large percentage of students who test in to developmental education and the low percentage of students who go on to credit-bearing courses or to complete their degrees. (In the survey, 54% of respondents indicated that 60% or more of their student body tests in to developmental education.) Nationally, we know that few of these students go on to complete degrees. While this is already a field priority, more work remains to be done, especially surrounding the question of how developmental education integrates with other structures that speed student time to completion. *“You can’t redesign remediation without doing some redesign of the whole college,”* said one interviewee. *“It has to be more than fixing remediation—it has to be fundamentally rethinking how you deliver services.”* Beyond remediation, many students need individualized counseling, mentoring, tutoring (on academics and college-level study skills), and other direct support services to better equip them to succeed in college.

Effective Strategic Planning and Organizational Change Management

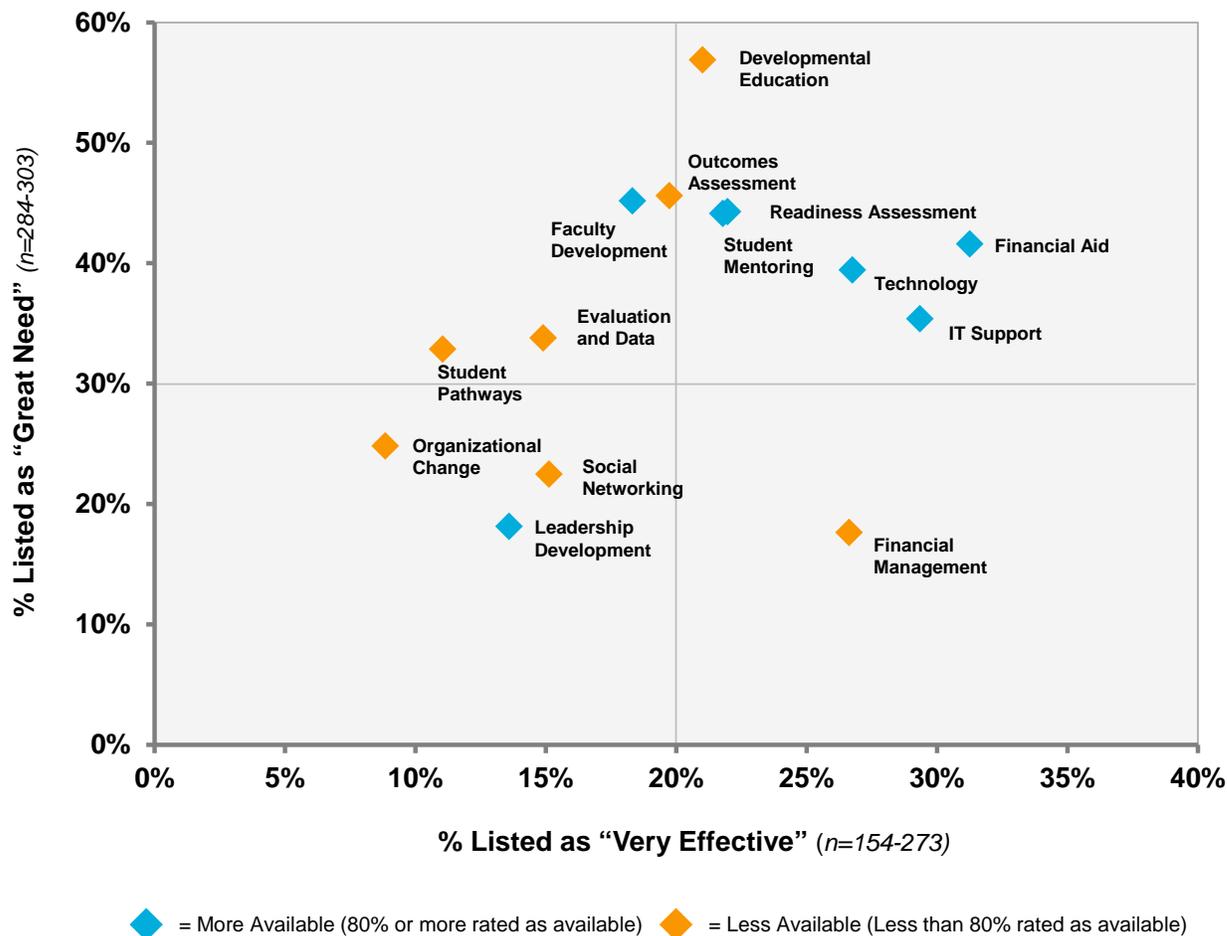
College leaders and experts claimed that changing the mission of community colleges from access to success will necessitate major changes in organizational structure, priorities, and management. In order to make this shift, college leaders must prioritize long-term strategic planning and take the time required to transform their institutions through the development of multiple, distinct student pathways, use of data, and faculty development as described above. However, colleges often lack the capacity to realize large-scale change due to other priorities and time constraints. In the words of one interviewee: *“Community colleges have huge expectations to produce in real time right now and the opportunity to engage in reflection and planning are not given high priority because production is the name of the game.”*

Where Service Providers are Needed Most

In order to improve student completion, colleges must address all of the capacities listed above. Though many colleges seek to meet their needs internally, demand remains for service provider support to varying degrees depending on the service (see Appendix B Chart 8). In particular, college leaders and field experts broadly agreed that four key areas are both *critically needed* for completion and *best supported by* external providers: redesigning institutions for success, effective use of data, student services and structures that support completion, and high quality faculty development. As Figure 1 shows below, the areas prioritized for external support involve services that are both highly needed and perceived as less effective and available in the field. (Note: findings on the current level of effectiveness and availability of services will be further explored in the following section.)

- 1. Redesigning Institutions for Success:** Community colleges need external support for long-term planning that redesigns colleges to drive completion. The periodic nature of strategic planning combined with the benefits of an outside perspective make this area ideally suited to external services. In addition to strategic planning, services in this area may include change management support, leadership coaching focused on organizational change, and the development of multiple, distinct student pathways to completion.
- 2. Effective Use of Data:** Community colleges spend significant time collecting and reporting student and organizational data, but they often lack the skills and capacities to use data effectively to improve student outcomes and organizational effectiveness. External providers can deliver needed tools and services that help colleges to organize, analyze, and communicate data in order to drive improvements in instruction or college operations. Specific services in this area might involve institutional research or data coaching, the development of technology-enabled data platforms, college readiness assessments, and the assessment of student learning outcomes.
- 3. Student Services and Structures that Support Completion:** Colleges recognize that improving completion for high-need students means enrolling them quickly in credit-bearing courses, ensuring that they persist in their studies and accumulate credits toward a degree, keeping them engaged on campus, and ensuring that they have the academic and personal skills they need for success. Services in this area begin with developmental education. Yet remediating students in an accelerated, personalized way is difficult, and colleges can benefit from providers that can draw on specialized expertise and experience across institutions to speed time to completion. Other offerings in this area include a variety of readiness assessment services, psychosocial supports for students, counseling, mentoring, and/or tutoring services.
- 4. High Quality Faculty Development:** High quality faculty development is critical to meeting the needs of a diverse student body. Moreover, the majority of community college faculty comprises adjunct professors who may be hired for their subject expertise but may lack instructional experience or skills. While colleges often seek to develop faculty skills internally, they also need intensive, embedded professional development services specifically tailored to the schedules and teaching challenges of community college instructors.

Figure 1: Need, Effectiveness, and Availability of Services



Survey responses show that the greatest need is for more effective services around developmental education, data use, and student pathways. Source: FSG Community College Survey 2011.

These four areas represent services that are both critically needed for completion and well-suited for external support. Yet as the following section explains, too few providers offer affordable, quality services tailored to the needs of colleges in these areas, and community colleges struggle to use service providers effectively.

Understanding the Service Market Today

A healthy service market requires community colleges to have a demand for and capacity to engage in and benefit from services, a supply of effective service providers, and sufficient funding to engage providers. But today's market is underdeveloped. Colleges look internally to fill many of their needs either because they are not confident in the quality, depth, or cost-effectiveness of services, or because they believe they can develop the needed capacities themselves. In turn, supply of service providers is highly fragmented, their quality varies greatly, and few providers deliver the integrated, customized solutions that colleges expect. Moreover, a lack of funding and policy incentives hinders colleges from purchasing the services they need and discourages providers from creating innovative new solutions or entering the community college market.

Overview of Today's Market

Community College Demand for and Capacity to Benefit from Services

- Colleges often fill their needs internally.
- Colleges struggle to identify and select quality providers.
- Many colleges face challenges in implementing solutions and/or provider recommendations.

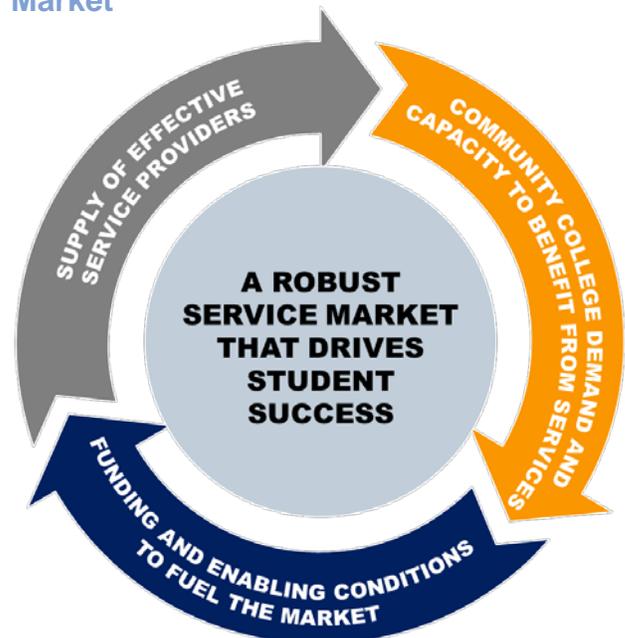
Supply of Effective Service Providers

- The market is highly fragmented with many providers, but few operate at scale.
- While some providers are effective, overall quality varies greatly.
- Few providers deliver integrated, cost-effective and customized solutions.
- Providers lack knowledge or agreement on "what works."

Funding and Enabling Conditions to Fuel the Market

- There is willingness to pay for effective services, yet colleges face significant budget constraints to engaging providers.
- Lack of funding and incentives discourage new entrants and innovation.

Figure 2: Characteristics of a Healthy Market



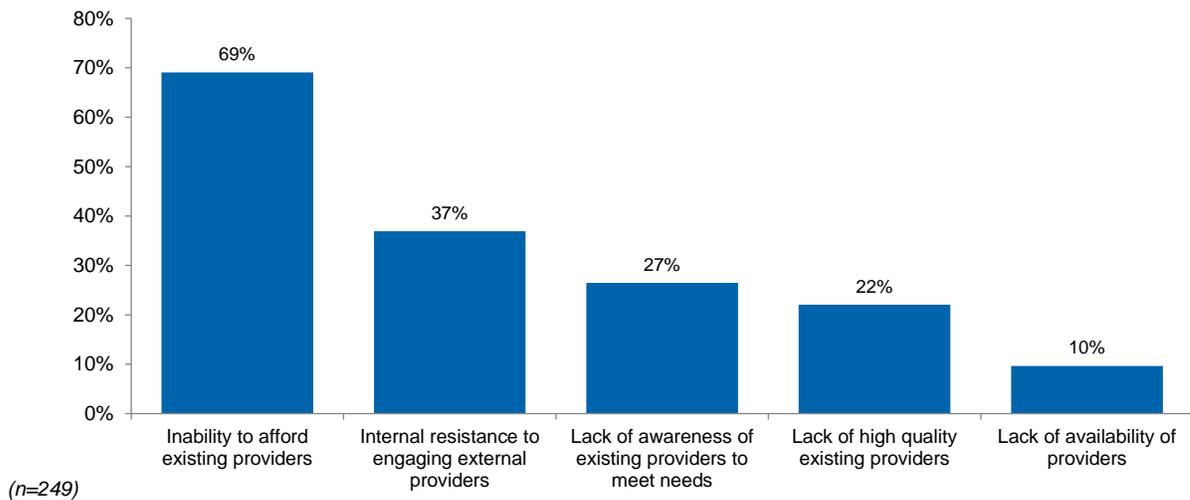
A healthy service market requires a supply of effective service providers, community college demand for and capacity to benefit from services, and sufficient funding and enabling conditions for colleges to engage providers.

Barriers to Increasing Community College Demand and Capacity to Benefit from Services

The lack of development in the community college services market starts with a gap in the demand for services. Colleges have diverse needs for improving completion, and they traditionally have looked internally to do so. In some instances, their needs *should* be filled internally—such as in cases where colleges have the resources and capacity to make needed improvement. Yet even when colleges lack the skills or experience to improve in a given area, a combination of internal and external barriers hold them back from engaging service providers.

Perhaps most importantly, respondents cited **“inability to afford existing providers”** most frequently as the greatest barrier to engaging a service provider (see Figure 3). In the words of one college leader: *“When you are faced with the horrendous cuts we have to face, it is unreasonable to think we can seriously engage outside service providers at any cost.”* As state budgets continue to tighten, affordability will become an even greater challenge unless outside funding becomes available, colleges see a significant need to engage an outside provider, or providers find ways to make their services more affordable.

Figure 3: Barriers to Engaging Service Providers



Lack of availability of providers did not emerge as a key barrier for community colleges to engaging a service provider. Source: FSG Community College Survey 2011.

Beyond affordability, survey respondents and interviewees reported that **internal resistance** was the next most significant reason for not using more external services (see Figure 3). College staff who are not accustomed to external providers can view contracting for outside services as a threat. Said one interviewee: *“There is a crippling bias on governing boards that says [to the president] ‘We hired you because you’re supposed to know how to do this stuff.’ Looking externally is seen as an admission that you don’t know how to do certain things.”* Adding to this challenge, colleges that do seek external support may lack the internal structures, knowledge, and personnel to identify and select a provider, engage effectively with a provider, or implement that provider’s solutions or recommendations. As a result, colleges are often apprehensive about engaging service providers even when they recognize that they need external services.

Given their scarce resources, community college leaders **lack sufficient confidence in service provider quality** to justify an investment. The most common reason colleges engage a service provider is to “improve student completion” (see Appendix B Chart 4). Yet the link between the work of providers and student outcomes can be tenuous or at times unknown. Said one college leader: *“One thing I find ironic about technical assistance providers is that they push hard for transparency, but there’s no way that we can find out about their effectiveness.”* Without stronger evidence of quality to distinguish among the multiple providers available, many college leaders refuse to commit resources to external services.

In concert with a lack of perceived quality, college leaders doubt that existing services will be **tailored to fit their needs or deep enough to sustain improvement** over time. *“While services are readily available,”* said one college leader, *“too many are provided in a ‘drive-by fashion’ that is too sporadic or superficial to change behavior and organizations.”* At the same time, college leaders expressed concern that many service providers offer one-size-fits-all solutions. As one field expert shared, *“Individual campus politics, structures, and systems matter—and they matter to an extent that national providers and funders don’t acknowledge.”* Unless service providers are able to find a business model that allows for customization while maintaining quality and affordability, stimulating demand in the services market will be challenging.

Barriers to Improving the Supply of Effective Service Providers

Just as a lack of demand hinders the community college services market from developing, gaps in the provider landscape prevent colleges from accessing effective services. Based on the survey findings, the problem is *not* the availability of providers. Each of the 14 services identified in the survey was rated as “available” between 75% to 95% of the time (see Appendix B Chart 6) and 424 unique organizations or individuals were listed explicitly as service providers that colleges had worked with in the past. The challenge is to improve the effectiveness of service providers and the perception of that effectiveness to a skeptical client base.

First and foremost, community colleges’ **lack of demand for services prevents new entrants and scaling of existing organizations**. Of the 424 organizations cited above, just 7 were cited more than ten times and only 17 were cited more than three times. While small organizations and individuals can and do provide effective services, their limited size reduces cost efficiencies, poses barriers to knowledge sharing around what works, and makes it harder for colleges to discern quality. Furthermore, small providers are

providers and funders will struggle to build a body of knowledge around what works for community colleges, effective solutions won't be implemented across providers, and colleges will hesitate to engage providers of unknown effectiveness.

Lastly, a **lack of incentives** in the market hinders innovation and competition to supply better services that colleges can also afford. *"The challenge is that whatever products we develop have to bring the costs down,"* said one provider, *"so that we have solutions in the tens of thousands versus the hundreds of thousands."* Innovation by an order of magnitude would be difficult under any circumstances, but providers currently lack incentives to invest in innovation or to compete to lower prices. Without increased or aggregated demand—whether driven by colleges, funders, or policymakers—as well as more public information about comparable products and services, providers will continue to lack an economic rationale to lower prices while improving quality. Furthermore, this lack of incentives not only hampers innovation, but also dissuades providers from other sectors from entering the community college market.

What Makes Services Effective?

While providers face challenges to delivering quality services, colleges and providers agree that the following elements characterize the most effective services:

- *Proven* to be effective to instill confidence in leaders and staff
- *Customized* to the needs and contexts of individual colleges
- *Intensive* to change behavior and sustain improvement over time
- *Affordable* given the budget constraints of many community colleges

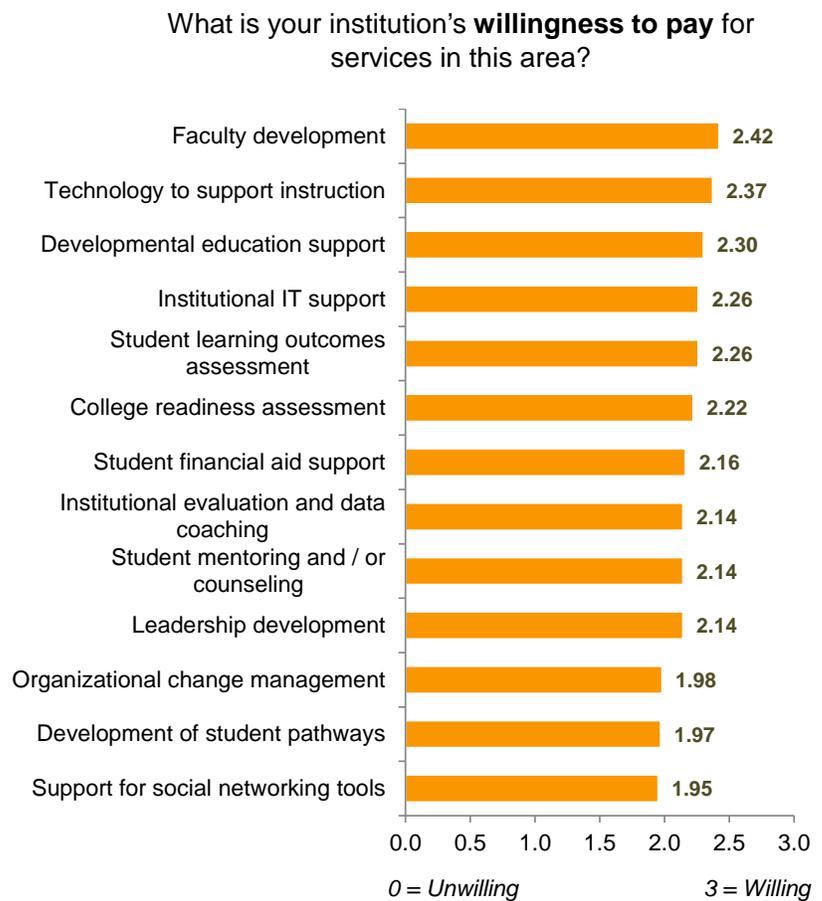
Challenges from the Lack of Funding and Enabling Conditions to Fuel the Market

The barriers to supply described above must be addressed in concert with efforts to increase demand to effectively build a robust market. Yet, supply and demand cannot be successfully stimulated without **increased funding or policy incentives** to enable colleges to pay for services and encourage providers to invest in their development. Today, colleges are largely funded and regulated based on student seat time, and they thus lack a financial incentive to focus on completion.

Furthermore, and as discussed previously, colleges reported that affordability was the greatest barrier to contracting services. However, at the level of individual services, colleges expressed a willingness to pay for services in specific areas—especially those proven to lead to positive student outcomes (see Figure 4). *“Unless you can see a direct and quick connection to student success,”* said one college leader, *“it’s hard to make an argument to invest in it.”*

For providers, missing incentives largely stem from a lack of demand and prevent organizations from entering or expanding into the community college market. Experts noted, however, that demand exists in certain areas. For instance, according to one college leader: *“There are organizations focused on improving enrollments, and improving endowments, improving athletics—because that’s where the money is—but there are not [organizations] focused on student success.”* For colleges to change the market to focus on the greatest needs for student completion, the same leader continued: *“What we need is demand for a success industry.”* Such demand must be driven by a range of stakeholders. If developed, it could fuel a strong and effective service market.

Figure 4: Willingness to Pay for Services



Survey respondents indicate a high willingness to pay for most services. Source: FSG Community College Survey 2011.

Recommendations for Building a Service Market that Increases Completion

Building a market that spurs innovation and competition to deliver high quality, lower cost services is critical for colleges to deliver on their mission of student success. But it won't be easy. Funders, providers, colleges, policymakers, and intermediaries can each play distinct roles in order to stimulate demand for and improve community college capacity to benefit from external services, improve the supply of effective providers, and build the market conditions for college-provider engagement. Additionally, markets may be most easily developed in states that have conducive policy and funding environments and in states and regions with a high potential demand due to the presence of large numbers of community colleges and community college students.

The community college services market faces deep and structural challenges that must be met to help colleges deliver on student success. Demand for services is weak as colleges look to fill their needs internally, supply of services is underdeveloped and of variable effectiveness, and adequate incentives and other market conditions are missing to overcome barriers of affordability and quality. Given the scope of these challenges, as well as the multiple, pressing needs of colleges and students, a range of actors must work systemically to address gaps spanning multiple service areas. At the same time, policymakers, funders, providers, and colleges can focus on specific areas where assistance is most urgently needed.

Achieving these goals will require new ways of doing business and, perhaps more importantly, increased collaboration and alignment of efforts. The following recommendations offer a starting point for building the services market. These include field-wide actions, as well as specific tasks for policymakers, funders, college leaders, and providers that could be implemented in the next several years. Together, the recommendations envision a market driven by student success that can play an important role in improving the quality, effectiveness, and efficiency of community colleges—and thereby improving opportunities and life outcomes for millions of students.

Summary of Recommendations for Building a Robust Market that Increases Completion

<p>Levers to Identify High Potential Markets</p>	<ul style="list-style-type: none"> • Develop markets in states with <i>funding and other policies</i> that reward completion • Develop markets in states and regions with <i>high numbers of community colleges and community college students</i>
<p>Levers to Improve Demand</p>	<ul style="list-style-type: none"> • Improve <i>institutional capacity</i> to make effective use of services • Increase <i>awareness of providers</i> and their demonstrated effectiveness in improving completion
<p>Levers to Improve Supply</p>	<ul style="list-style-type: none"> • Provide <i>additional, high-quality services</i> in the areas of greatest need • Create a public system for <i>quality assurance</i> and communication of effectiveness
<p>Levers to Improve Funding and Conditions</p>	<ul style="list-style-type: none"> • Provide incentives for the development of <i>low-cost, high-quality products and services</i> • <i>Aggregate demand and supply</i> to make high quality services more affordable and accessible • Create <i>pools of funding</i> for colleges to use for specific services

Levers to Identify High Potential Markets

Given the challenges of developing a robust community college service market, it may make sense to focus efforts on key geographies where there is already an advantageous policy environment or in which there is a large market of community colleges.

Develop Markets in States with Policies that Reward Completion

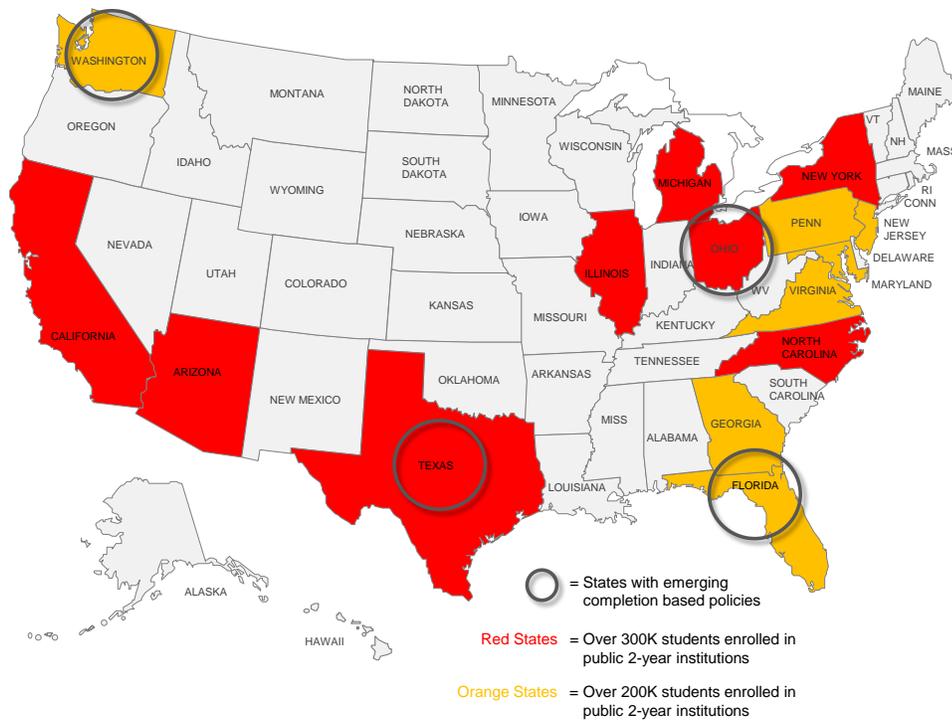
Expert interviewees suggest that the single greatest force for stimulating demand and supply of services that support success is state policy that evaluates and rewards colleges based on student progress and completion instead of enrollment and seat time. Such state policies can stimulate demand and incent shifts in how colleges allocate resources across a range of service areas. As one expert explained: “*How do you change the market in community colleges? If I’m sitting here as a community college president, I’m driven by enrollment. But if I’m driven by outcomes, I’m changing pretty quickly—we haven’t touched the huge driver, which is switching policy incentives from access to completion.*” This focus on state policy change has gained momentum through recent legislation in Florida, Ohio, Texas, and Washington (see Figure 5 below).⁸ The recommendations outlined below might best be focused on these and other states that are considering or close to enacting similar changes in how community colleges are funded.

⁸ FSG Analysis.

Develop Markets in States and Regions with Large Numbers of Community College Students

The recommendations below might also best be focused on states and regions that have a large existing market of community colleges for potential service providers to target. As Figure 5 shows below, eight states, including Florida, North Carolina, Ohio, and Texas, have more (or significantly more) than 300,000 students enrolled in community colleges. Another seven states, including Virginia and Washington, enroll more than 200,000 community college students when using 12-month unduplicated headcount. Similarly, targeting metro areas such as Los Angeles (32 colleges, ~830,000 students), New York (23 colleges, ~350,000 students), or Dallas (10 colleges, 220,000 students) more specifically may also provide leveraged opportunities to build localized service markets. Other metro areas with more than 150,000 community college students include the San Francisco Bay Area, Houston, and Seattle.⁹

Figure 5: A Geographic Look at States Implementing Completion-Based Policies and States Serving the Largest Number of Community College Students



Several states have implemented significant completion-based policy incentives. In some cases, completion may account for just a small part of the funding formula—yet, when implemented, completion-based funding strongly influences college cost priorities and thereby funds for completion-based services. Service providers and funders interested in building the services market would do well to prioritize this group of

⁹ 12-month unduplicated headcount, National Center for Education Statistics, “Integrated Post-secondary Education Database 2008 and 2009.”

states. Together, they serve approximately 7.8 million community college students (~71% of the national community college population).

Levers to Improve Demand

As discussed above, demand is most easily and logically stimulated in states and regions that have completion-based funding and/or that have large numbers of community colleges and community college students. However, efforts to improve demand must also include a focus on building the capacity of community colleges to work with external service providers, as well as changing their behaviors and beliefs about the reasons they should do use external providers instead of seeking to address their needs on their own. Colleges, funders, and providers can consider the following actions to enhance institutional capacity to engage with service providers and increase knowledge about the potential value of their services. Issues concerning funding will be addressed in a later section of the report.

Improve Institutional Capacity to Make Effective Use of Services

Internal barriers—from a lack of funds, to a shortage of personnel, to entrenched boards and faculties—hold colleges back from contracting the services they need. By directly addressing these barriers, colleges, funders, and providers can increase demand for services while improving the overall effectiveness of colleges. Such efforts should begin with community college leaders. Specific activities might include educating boards and presidents about the potential value of external providers or offering coaching about ways to make effective use of the services provided. More intensive work is also needed to help colleges re-think their organizational structures to promote completion or to support critical and often missing positions in areas like institutional research or project management. Reducing the structural and cultural barriers to using external providers will make these services more effective and will help colleges reallocate spending and give priority to areas that most effectively support student completion.

Increase Awareness of Providers and their Demonstrated Effectiveness in Improving Completion

Along with affordability, a lack of perceived effectiveness is a primary barrier for many colleges that might otherwise seek help from service providers. Overcoming this impediment to demand starts with improving the quality of services supplied (see below), but it also includes increasing awareness of services and their effectiveness across the field. At the college level, stronger networks must be built so that leaders are aware of a greater number of service providers that they can choose from. College associations in particular must continue to strengthen their role in sharing knowledge and practices with their peers about which service providers are available and which are most effective. Additionally, at the field level, funders, policymakers, and providers should consider building transparent systems for quality assurance and public communication of how diverse services affect student completion. This recommendation for understanding and communicating the effectiveness of services will be discussed in greater detail below.

Levers to Improve Supply

Improving supply in the services market can reduce concerns that colleges hold about the cost and quality of services, and thereby stimulate demand. As discussed below, increasing market incentives and promoting innovation can also improve the affordability and effectiveness of services. Finally, a stronger supply of services is needed in the areas where colleges need the most help to improve completion. The following supply-side actions can work in unison with market and demand incentives to increase the quality and availability of services that support student success.

Provide Additional, High-Quality Services in the Areas of Greatest Need

In several areas identified in this report, colleges need help from external providers to improve completion, but they lack the resources and capacity to engage providers effectively. While markets may develop in these areas in the long term, colleges need immediate funding to support specific services around strategic planning, data use, student services and structures (including developmental education), and faculty development. This could include direct support for providers or funding for colleges to contract needed services. In either case, private and public funders might consider increased support for these services as a short-term imperative to help colleges get on track to improve completion. At the same time, supporting services and providers in these areas provides an opportunity to build an evidence base for the field, increase awareness of what works, and stimulate policy change and improved supply of other services in the future.

Create a Public System for Quality Assurance and Communication of Effectiveness

Efforts to increase funding, demand, and incentives for services will have limited effectiveness without a clearer understanding of what works in promoting college completion. Such an understanding is missing from today's services market. As a result, colleges hesitate to engage providers while providers are not held accountable for the effect of their services on student outcomes. Improving measurement, transparency, and communication in the services sector will require commitment from multiple stakeholders, but it can potentially transform the field's understanding of how to best help colleges deliver on completion. Establishing such a system would include several components, including:

- Creating a **shared system for quality assurance** that can assess the effect of external services on outcomes for students and institutions
- Building a **repository of the most effective practices**
- Working with experts to **evaluate and communicate** the effect of services
- Building an **accessible, online platform** to curate and share this information with the field

Levers to Improve Funding and Conditions

For a market to function, adequate funding must be available to ensure that community colleges are willing and able to engage providers, that providers have incentives to improve their services, and that new entrants are willing to enter the market and spur competition and improvement. Work in these areas will require action from multiple stakeholders and should proceed along with actions to improve supply and demand.

Provide Incentives for the Development of Low-Cost, High-Quality Products and Services

Just as colleges need incentives to shift toward completion-based priorities, providers need a rationale to improve the price and quality of available services. Weak demand in the services market today has prevented these incentives from developing. This dynamic creates a gap that holds providers back from investing in R&D and developing more tailored, cost-effective products and services. Public and private funders can bridge this market gap by providing incentives for either the development or the purchase of needed services. Both approaches can learn from the history of market development in other sectors, such as global health. Successful approaches could lead to more cost-effective solutions for colleges while strengthening the provider sector and attracting new entrants to the market.

- Funders should explore **product development partnerships** with forward-thinking providers that subsidize R&D for products that have the potential to increase success. Technology-driven products for data organization, analytics, and use would be ideally suited for this approach. Stakeholders can also learn from the experience of product development partnerships in the global health sector to effectively reduce drug development costs for malaria, tuberculosis, and other crippling diseases with weak traditional incentives for treatment. By investing in product development partnerships, funders can increase the supply of cost-effective products in the community college market, which would stimulate demand among colleges and encourage competition based on price and quality among providers.
- Funders should consider **advance market commitments** that guarantee a viable market if highly needed products or services are developed. In the health sector, an advance market commitment is currently underway for a vaccine for pneumonia and meningitis, which are among the world's most deadly diseases yet largely afflict disadvantaged populations who are unable to pay for treatment. In the community college sector, state systems or a consortium of funders could guarantee a viable level of payment for any highly needed product (e.g., a data platform) that met certain price and quality criteria. This approach, like product development partnerships, would defray the risk that providers see in targeting the community college market and would likewise stimulate demand while encouraging provider competition.
- Similar to advance market commitments, funders should consider a **prize approach** to stimulating innovation in community college products and services. If a sufficiently large prize were established along with criteria for price and quality in highly-needed areas for completion, providers would have greater incentives to invest in service development and bring cost-effective products and services to market.

Aggregate Demand and Supply to Make High Quality Services More Affordable and Accessible

While policy and market incentives offer field-wide actions for funders and providers, colleges and providers can work locally to aggregate demand and supply of services to make them more affordable and accessible. Rural community colleges have already begun to explore demand aggregation, but more efforts are needed. In particular, colleges—regionally or as part of statewide efforts—should consider organizing around common points of need and using collective buying power to contract with service providers. On the supply side, efforts are needed to convene different providers in the highly fragmented market, identify those who can deliver results, and match those providers with interested colleges. While colleges and providers will need to participate in aggregating demand and supply, state community college systems, associations, and higher-education agencies are especially well-positioned to convene colleges and providers, broker relationships, and build a body of knowledge about what works with these approaches.

Create Pools of Funding for Colleges to Use for Specific Services

To help reduce the funding barriers colleges face to engaging service providers, states can create pools of funding that allow and provide incentives for community colleges to address critical but under-focused areas of need. For example, state policymakers could design a three-year grant that offers annual competitive funding for strategic planning and evaluation services to improve completion. Similarly, states could enact policies that encourage service use in high need areas, such as state requirements around data use. State policymakers are well-positioned not only to reduce the affordability barriers that college leaders face in engaging providers, but also to motivate those leaders to build internal capacity in critical areas to support completion through the use of external providers.



Near-Term Actions by Stakeholder

Funders, providers, colleges, policymakers, and intermediaries (e.g., state community college associations) each have an important role to play in delivering the recommendations discussed above. The table below lays out a set of potential near-term actions the field could undertake to build the market.

Suggested Actions by Stakeholder	
Funders	<ul style="list-style-type: none"> • Partner with policymakers to create a <i>quality assurance system</i> for service providers and offer college leaders a central platform to identify and evaluate providers. • Support advocacy efforts for <i>completion-based policy change</i>. • <i>Provide incentives for providers</i> to develop low-cost, high quality products for data use through purchase commitments, prizes, and product development partnerships. • <i>Fund and scale providers</i> offering best practice services in high need areas (e.g., strategic planning and developmental education).
Providers	<ul style="list-style-type: none"> • Promote <i>quality assurance standards</i> across the services sector to drive improvements and highlight best practice providers. • <i>Evaluate and share</i> with colleges their own successes and challenges. • Leverage <i>crowd-sourcing and open-source product development</i> to build customized solutions for data that are readily accessible by colleges. • Advertise a <i>call to action</i> for providers to work with each other to integrate services and improve quality, depth, and customization of services.
Colleges	<ul style="list-style-type: none"> • Increase <i>outcomes measurement</i> of services provided and communicate results. • Commit to <i>guaranteed purchase of services</i> if clear cost and quality criteria are met. • Partner with college leaders to <i>aggregate demand</i> for high-need services to lower costs and increase knowledge sharing. • Determine <i>most critical areas of need</i> that are best met by external providers.
Policymakers	<ul style="list-style-type: none"> • Partner with funders to create a <i>quality assurance system</i> for service providers and offer college leaders a central platform to identify and evaluate providers. • Enact <i>policies based on completion</i> instead of seat time. • Offer <i>incentive-based funding</i> both to colleges that improve completion and to providers that develop the highest quality, lowest cost products and services. • Create <i>pools of funding</i> for colleges that support specific areas of need and help to build institutional capacity.
Intermediaries	<ul style="list-style-type: none"> • <i>Aggregate demand</i> for services among colleges in general and among specific groups of colleges such as HSIs or rural institutions. • <i>Aggregate supply</i> of services by compiling information on multiple high quality providers and matching them with potential customers.

Conclusion

Community colleges face deep challenges to improving success, but the success of community colleges has never been more important. Given pervasive unemployment, rising income inequality, and labor market changes, community colleges are increasingly called upon to help build the foundation for a new workforce and economy. However, community colleges face significant resource and capacity barriers to increasing the number of students who graduate, transfer, or receive a certificate with real labor market value. Community colleges do not have to face this challenge alone. From the White House, to state capitals, to the boardrooms of corporations and foundations, momentum is building to support colleges in their transformation from enabling access to ensuring success.

A robust market of effective service providers could play a crucial role in delivering quality services to address community colleges' most challenging needs in areas such as making use of data, planning for and managing organizational change, developing an excellent faculty, and supporting the highest need students to stay on track for college completion. Multiple stakeholders—from funders to colleges to policymakers to providers—can play distinct but reinforcing roles to stimulate supply and demand for the services colleges need most. These tasks will be difficult, but only by undertaking them can we build a services market that is informed by what works, fueled by competition to supply the best services, and driven by a clear demand for the services that most directly drive student success.



Appendix A: List of Interviewees

1. Tom Bailey, Community College Research Center
2. Ed Bowling, Gilford Technical Community College
3. Walter Bumphus, American Association of Community Colleges
4. Pamela Burdman, PB Consulting
5. Sam Cargile, Lumina Foundation
6. Dr. Tony Carnevale, Georgetown University Center on Education and the Workforce
7. Dr. Kathleen Cleary, Sinclair Community College
8. David Dodson, MDC
9. Dr. Glenn Dubois, Virginia Community Colleges
10. Alfred Essa, Desire2Learn
11. Cynthia Ferrell, Texas Association of Community Colleges
12. Bernadine Fong, Carnegie Foundation
13. Dr. Kendall Guthrie, Bill & Melinda Gates Foundation
14. Dr. Davis Jenkins, Community College Research Center
15. Dr. Rob Johnstone, Skyline Community College
16. Richard Kazis, Jobs for the Future
17. Dr. Jim Knickerbocker, Academy for College Excellence
18. Dr. John Lee, JBL Associates
19. Meg Long, OMG Center for Collaborative Learning
20. Dr. Kay McClenney, Community College Survey of Student Engagement, University of Texas
21. John Morgan, Tennessee Board of Regents
22. Dr. Scott Ralls, North Carolina Community College
23. Dr. Sheri Ranis, Lumina Foundation
24. Dr. Richard Rhodes, Austin Community College
25. Dr. Sandy Shugart, Valencia College
26. Dr. Randy Smith, Rural Community College Alliance
27. Dr. Karen Stout, Montgomery County Community College
28. Dr. Monty Sullivan, Louisiana Community and Technical College System
29. Dr. Randy Swing, Association for Institutional Research
30. Dr. Diane Troyer, DKT Solutions
31. Dr. Bill Trueheart, Achieving the Dream
32. Trevor Yates, Cambridge Education
33. Jan Yoshiwara, Washington State Board for Community and Technical Colleges

Appendix B: Overall Survey Results

Chart 1: Community College Capacities

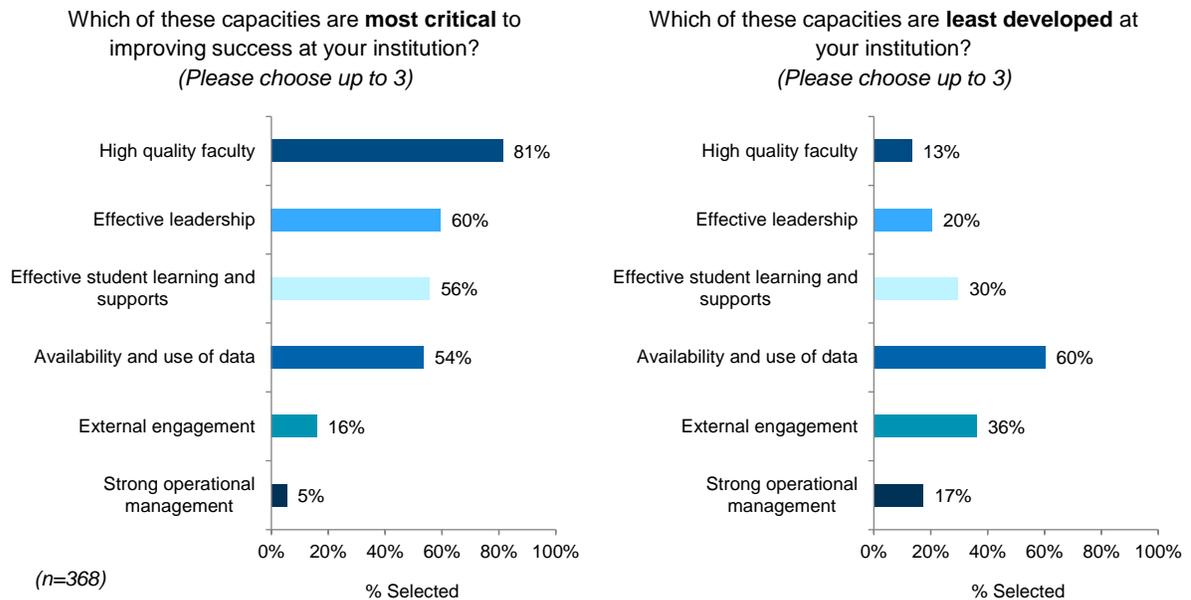


Chart 2: Service Provider Availability, Effectiveness, and Affordability

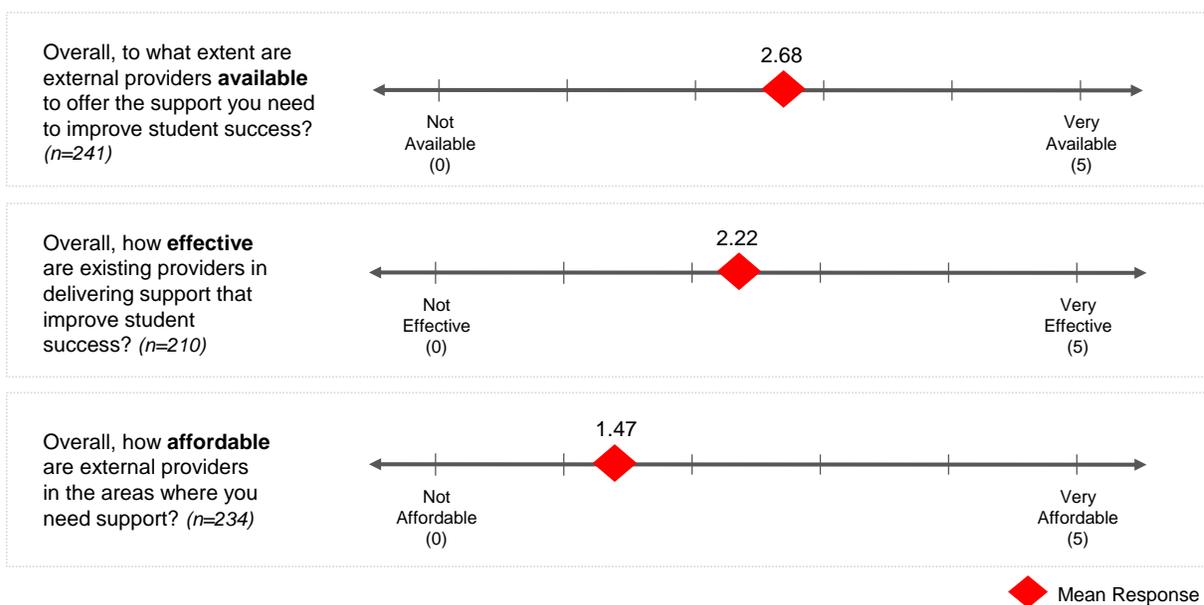


Chart 3: Service Provider Identification and Selection

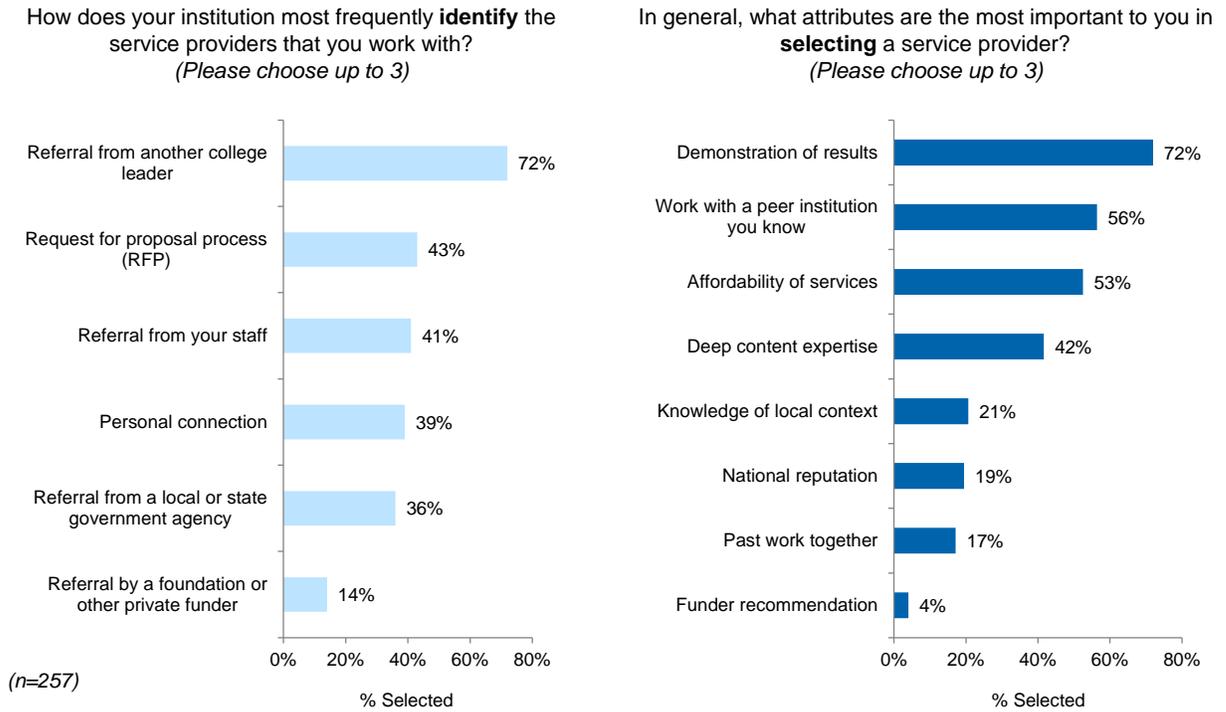


Chart 4: Reasons to Engage a Service Provider

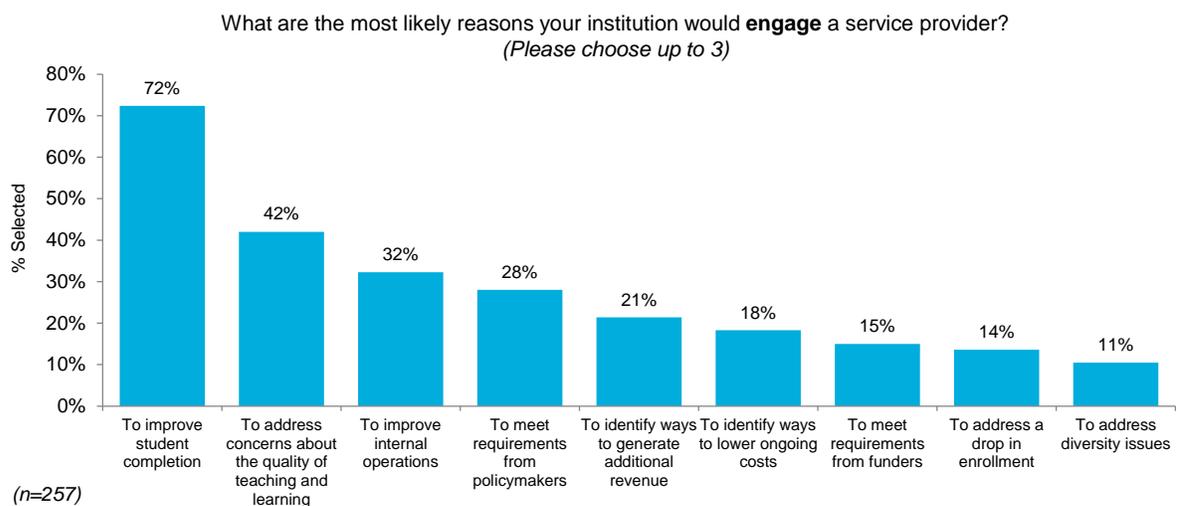


Chart 5: Barriers to Engaging a Service Provider

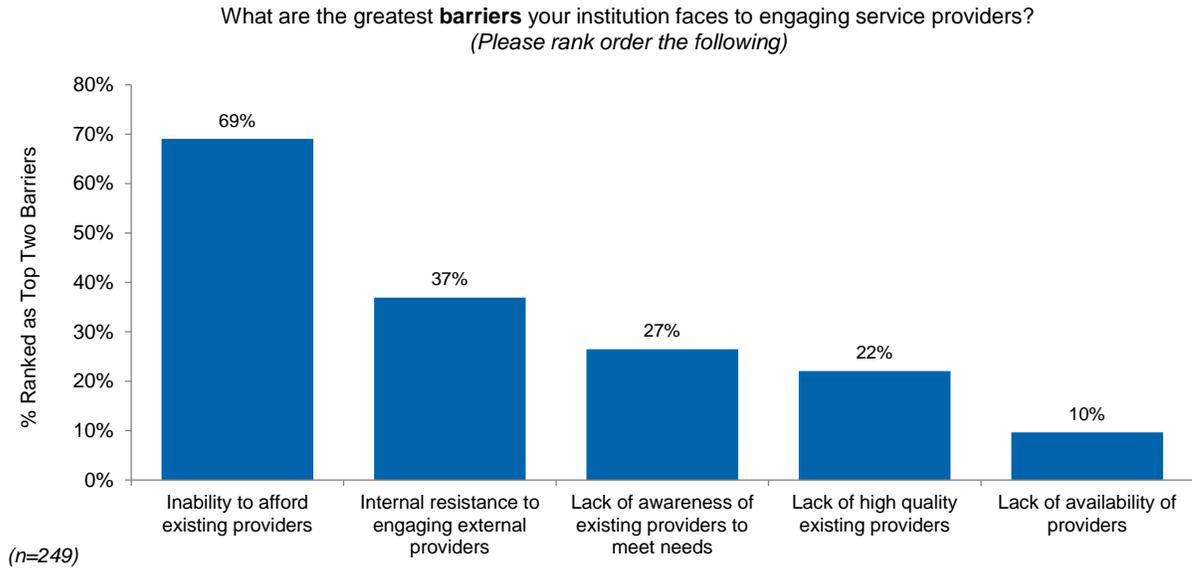


Chart 6: Need, Willingness to Pay, and Use for Individual Services

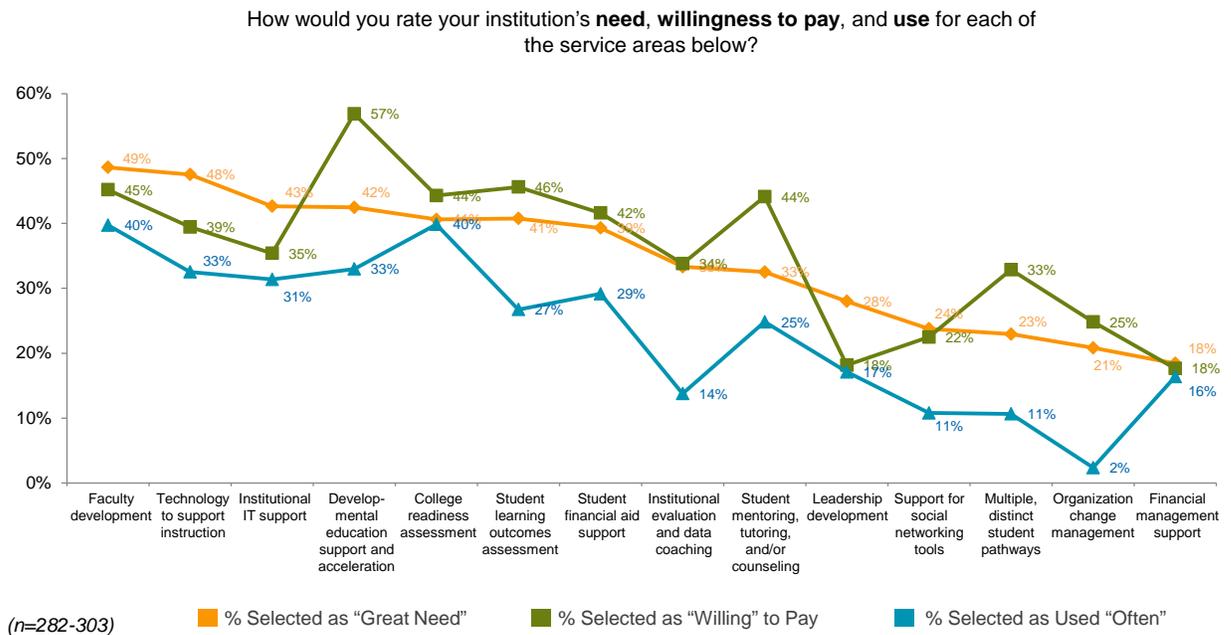


Chart 7: Availability and Effectiveness of Individual Services

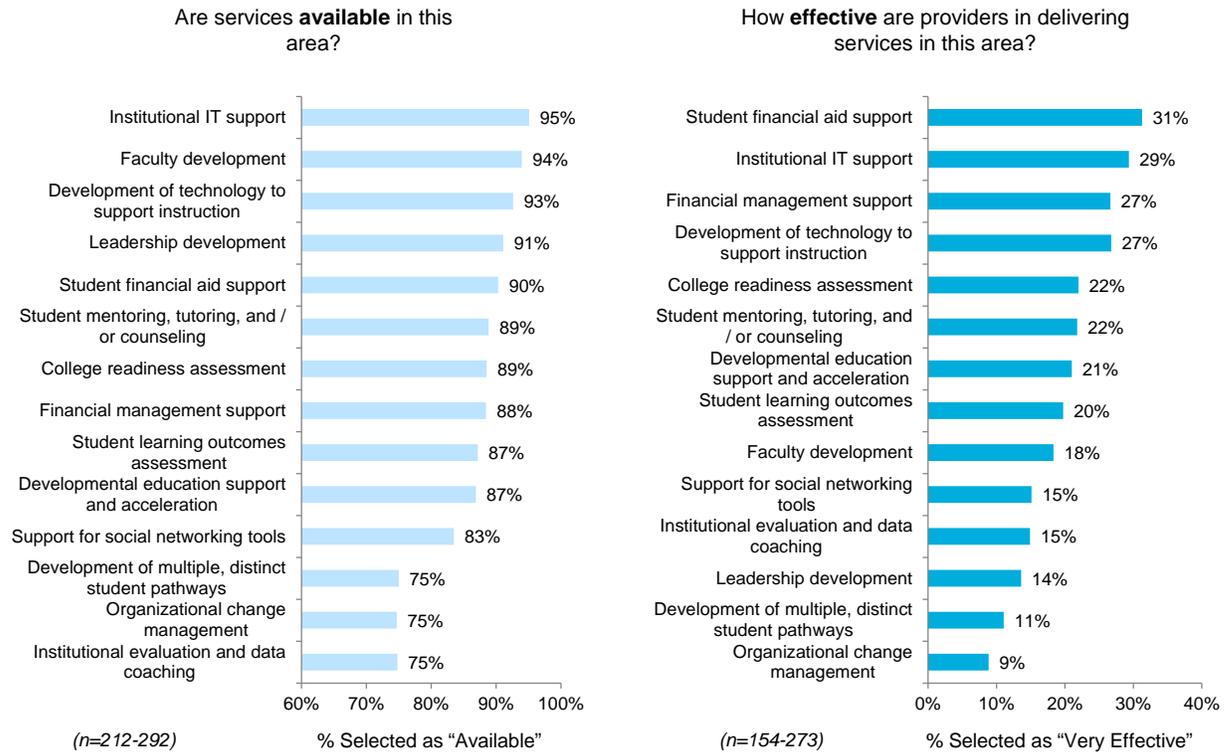
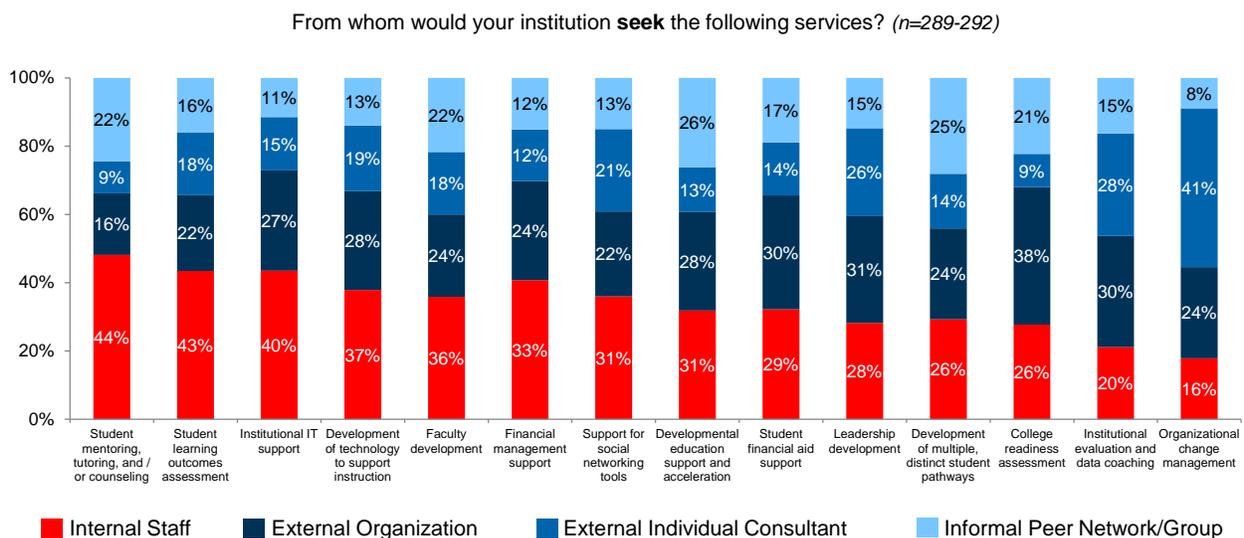


Chart 8: Provision of Individual Services





All statements and conclusions, unless specifically attributed to another source, are those of the authors and do not necessarily reflect those of the other organizations or references noted in this report.

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