

**Copenhagen Business School  
CBS Executive**

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**Copenhagen  
Business School**  
HANDELSHØJSKOLEN

## **Business plan 2008 - 2012**

**December 2008  
EMT, Executive Management Team**

# CONTENT

<b>1.0 Introduction</b>	<b>3</b>
<b>2.0 CBS Executive - the business</b>	<b>3</b>
2.1 Context	4
2.2 Products	5
2.3 Human resources	5
2.4 Systems, processes & Facilities	5
2.5 Financial Forecast for CBS Executive 2008 – 2012	5
<b>3.0 HHE Area</b>	<b>7</b>
3.1 Context	7
3.2 Products	7
3.3 Human resources	9
3.4 Systems, processes & facilities	9
3.6 Financial issues for HHE Area	9
<b>4.0 HD Area</b>	<b>10</b>
4.1 Context	10
4.2 Products	10
4.3 Human Resources	11
4.4 Systems, processes and facilities	12
4.5 Financial issues for HD Area	12
<b>5.0 Master Area</b>	<b>13</b>
5.1 Context	13
5.2 Products	13
5.3 Human resources	14
5.4 Systems, processes & Facilities	15
5.5 Financial issues for Master Area	15
<b>Executive summary</b>	<b>17</b>
<b>Appendix A: Strategic plan, CBS Executive</b>	

# CBS Executive – Business Plan 2008-2012

## 1.0 Introduction

CBS' Board and Management has requested a 5 year business plan for CBS Executive, based on an expectation that the post experience programme area demonstrates growth both in terms of turnover and revenue. The business plan is based on CBS Post Experience Education Strategy, latest version (September 2007) and takes it further from strategies to plans and actions. It is more operational in terms of current and future programme portfolio, markets and competition for different programmes, teaching capacity, and principles for branding, marketing, and sales. The plan is based on contributions from each of the 3 main business areas: bachelor (diploma) programmes, executive master programmes, and non degree programmes. It covers current challenges, market assessments and action plans for each area. In addition, the plan includes financial forecasts, and overall profitability of the business unit. The plan is supposed to provide the CBS Board with sufficient information, on which to base a decision to establish a new state-of-the-art executive centre building.

## 2.0 CBS Executive - the business

In 2007 the board took a strategic decision to merge all post experience programmes into one business unit, CBS Executive. The unit now includes the HD area, the executive master area and HHE operations. This furthers CBS Executive as a business unit of both strategic importance and considerable economic size. CBS Executive is characterized by the following key figures

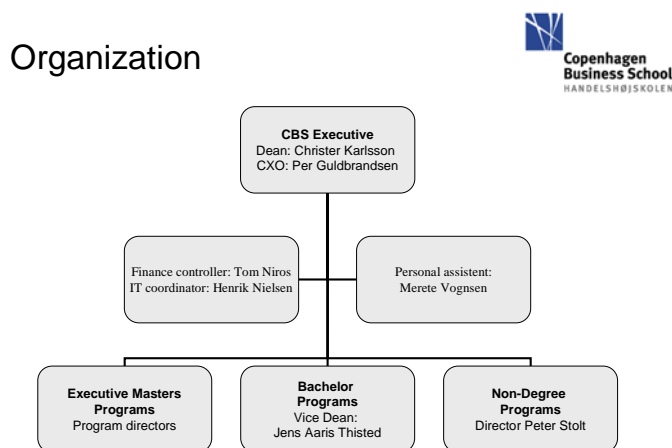
Table 2.1 Key Figures (2007) of CBS Executive

	Master Programmes	HD/ED Programmes	HHE Programmes	CBS Executive Total
No. of programmes	17	13	n.a.	30
No. of participants	393	2585	n.a.	2978
Annual revenue (mio. DKK)	53.8	56.1	25.7	135.6

Source: Annual Report 2006 and CBS Executive figures

In total, the post experience area thus covers approximately 20 % of the total number of students at CBS, and in terms of turnover more than 33% if one includes HHE. Without HHE the share of turnover amounts to 27% of the total CBS income from education. In addition the area is defined as a growth area, expected to grow significantly in the next 5 years. The present organisation follows the programme structure and is presented in figure 2.1. Within each area the organisation follows the generic programmes offered.

Figure 2.1: Organization chart



## 2.1 Context

### 2.1.1 Market

CBS Executive operates on several quite different markets and under very different competitive conditions. The market situation is further described below in the area specific sections. The common challenges for CBS Executive are seen as:

1. Building our general as well as program specific **international brand** position.
2. Developing an effective **marketing strategy** for the institution and the programmes.
3. Developing a clear **sales strategy** targeted at relevant customers.

Elements in the brand building include:

- 1) Activities such as: developing market communication/developing our face to the customers
- 2) Choice of international academic partners,
- 3) Strategic alliances,
- 4) Attraction of key faculty (“Stars”),
- 5) Accreditation and
- 6) Ranking.

Issues related to academic partners and alliances are included in a separate strategy for CBS as an institution and will not be discussed here. Attraction of Star faculty is mainly a matter to be discussed in relation to the CBS research strategy. In terms of accreditation the new CBS strategy includes a separate goal of acquiring the so-called “Triple Crown” the accreditations of EQUIS, AMBA and AACSB. The current status is that EQUIS and AMBA have been acquired, and CBS Executive is in the process of earning the AACSB accreditation, expected in 2008.

Other marks of excellence are the ranking in ranking lists of programmes and institutions. There are several providers of such rankings, relevant to CBS Executive. Based on an analysis of the benefits and shortcomings of the different rankings, the CBS Executive strategy will be to participate with the Fulltime MBA, and strive to be listed on ‘The Economist’ ranking: Which MBA. The other rankings are either too American, too focused on dimensions not relevant to CBS or demanding too large a group of alumni to justify CBS participation.

The **marketing strategy** of CBS Executive will focus on the following elements:

- Updated and relevant web presentations on the CBS web
- Focus on unique selling points for each programme
- Easy access to CBS products from search engines on the internet
- Presence on the most important international MBA and Executive Education fairs
- Strengthened alumni relations and use of alumni as ambassadors

The **sales strategy** will be analyzed and an action plan developed, due to the following issues:

1. The level of sales activities among the areas and programmes
2. Sales and service competencies among the employees
3. The sales process
4. The IT support system
5. The sales materials
6. The organization of the sales and service activities

### 2.1.2 Competition

The overall competition is analyzed and described in appendix A.

## **2.2 Products**

### **2.2.1 Existing products**

#### *Programme Portfolio*

The programme portfolio of CBS Executive is very broad, with a wide variety of programmes within each of the 3 programme areas depicted in the organisation chart. The current programme portfolio is the result of a decentralized development during a number of years. For this reason the offering may seem somewhat random, and there seems to be a need to create an aligned portfolio of sustainable programmes. During the business plan period one important strategic activity will be to carefully analyze each programme to decide in what way it could be part of a coherent programme portfolio in the future.

### **2.2.2 New Bizz**

The above mentioned circumstances inspire us to a systematic product development and innovation, in order to create an aligned portfolio of programmes in each of the 3 programme areas: HD Area, Master Area and HHE Area. This Business plan outlines the main ideas of strategic programme development within each area.

## **2.3 Human resources**

### **2.3.1 The administration**

The current number of administrative staff is the minimum we need to operate in CBS Executive. The planned annual talks with each employee will clarify the need for development. The gap will be filled with the needed development activities.

The core competencies concern administration and serving the attendees and the applicants. There seems to be lack of IT-competencies and professional sales competencies, and the demands for financial reporting will necessitate the development of further competencies in the whole area.

### **2.3.2 Faculty**

The bottleneck in growing the scale of activities in CBS Executive is lack of qualified faculty. We need to invest in attracting faculty with expertise in core areas to avoid vulnerable situations, like the one we are facing now with the leadership faculty. Teaching in an Executive classroom is very different from the B.Sc. and M.Sc. programmes. Continuous development of faculty to teach in an Executive classroom needs to be undertaken to ensure good quality in delivery of content and interaction with the participants. We plan to take advantage of Learning Lab in dealing with these challenges while competence to teach at the executive level should be given weight in recruiting core faculty. CBS Learning Lab should be invited to develop special training aimed at our type of teaching. One important goal is to create incentives and opportunities for competence development so that a larger share of CBS faculty may be engaged in CBS Executive activities.

## **2.4 Systems, processes & Facilities**

In general the CBS administrative system works satisfactory. There have been some challenges during the last years, but it seems like things are moving in the right direction.

There is a huge need for a CRM system since CBS Executive has special needs for acting like a commercial business unit. In the same way we will work for establishing an IT-based HR development system, and we want to work close together with CBS' IT-department on that issue.

The facilities are poor and not at all in an executive style. The environment, sharing facilities with day time studying, do not signalize the right level of exclusiveness.

## **2.5 Financial Forecast for CBS Executive 2008 – 2012**

This section focuses on the profitability of CBS Executive as a profit centre, in particular in order to justify the investment in a new executive centre.

Figures in Table 8.1 are based on expected income and costs, the action plans for each programme area and projections of administrative costs.

Table 2.2, Financial Forecast for CBS Executive 2008 – 2012

**CBS Executive.**  
**5 year Plan for revenues and contribution margins 2008-2012**

Figures in million dkr (MDKK) Price level:	Budget 2007	Budget 2007	Budget 2008	Plan 2009	Plan 2010	Plan 2011	Plan 2012	Index 2012 (2007=100)
<b>Revenues:</b> 1)								
Master-programmes	53,8	55,3	52,4	61,2	64,9	67,2	67,9	123
HD-programmes	56,1	57,6	55,2	56,8	60,5	64,6	68,2	118
HHE	25,7	26,4	28,0	30,1	32,2	34,5	36,9	140
<b>Total</b>	<b>135,6</b>	<b>139,3</b>	<b>135,6</b>	<b>148,1</b>	<b>157,6</b>	<b>166,3</b>	<b>173,1</b>	<b>124</b>
<b>Direct costs (CBS Executive):</b> 2)								
Master-programmes	41,4	42,5	40,6	45,7	46,6	47,8	48,5	
HD-programmes	26,6	27,3	28,2	29,1	31,0	33,2	35,1	
HHE	23,5	24,1	25,7	27,3	29,1	31,1	33,3	
<b>Total</b>	<b>91,5</b>	<b>94,0</b>	<b>94,5</b>	<b>102,1</b>	<b>106,7</b>	<b>112,0</b>	<b>116,9</b>	<b>124</b>
<b>Contribution margin 1:</b>								
Master-programmes	12,4	12,8	11,8	15,5	18,4	19,5	19,4	
HD-programmes	29,5	30,3	27,0	27,7	29,5	31,4	33,1	
HHE	2,2	2,3	2,3	2,8	3,1	3,4	3,6	
<b>Total</b>	<b>44,1</b>	<b>45,3</b>	<b>41,1</b>	<b>46,0</b>	<b>51,0</b>	<b>54,3</b>	<b>56,1</b>	<b>124</b>
<b>Allocated to CBS (main):</b> 3)								
Master-programmes	12,0	12,3	11,3	14,0	14,9	15,2	15,2	
HD-programmes	29,5	30,3	26,9	27,0	28,1	29,1	29,9	
HHE	0,0	0,0	0,0	0,0	0,0	0,0	0,0	
<b>Total</b>	<b>41,5</b>	<b>42,6</b>	<b>38,2</b>	<b>41,1</b>	<b>43,0</b>	<b>44,4</b>	<b>45,1</b>	<b>106</b>
<b>Contribution margin 2:</b>								
Master-programmes	0,4	0,4	0,5	1,4	3,5	4,2	4,3	
HD-programmes	0,0	0,0	0,1	0,7	1,4	2,3	3,1	
HHE	2,2	2,3	2,3	2,8	3,1	3,4	3,6	
<b>Total</b>	<b>2,6</b>	<b>2,7</b>	<b>2,9</b>	<b>5,0</b>	<b>8,0</b>	<b>9,9</b>	<b>11,0</b>	<b>409</b>

## Notes:

- 1) Gross revenues; participant fee, state fee incl. fee for real estate and other income.
- 2) All direct costs for programmes, marketing, program secretariats, management and development costs.
- 3) The CBS budget model allocates revenues to various cost centres. The latest reorganization requires an adjustment of the model which has not yet been finalized. The table is based upon estimated adjustments of the model from 2008. In particular one should observe that the Diploma-area in 2008 will contribute 49% of gross revenues against 53% in 2007 and that the Diploma-area from 2009 will keep 100% of growth in revenues due to raising participants fee more than inflation.

- The overall conclusion based on Table 2.2 is that CBS Executive expects to increase its turnover and profitability by 24% in 5 years.
- The growth in turnover is expected to be strongest - 40% - in the HHE area, 23% in the Master area, and somewhat smaller – 18% - in the HD area.
- In terms of profitability (contribution margin 1) the overall growth is expected to be 24% by 2012, with the Master area growing by 52%, the HD area by 9%, and the HHE area growing by 52%.
- CBS Executive net contribution in 2012 is expected to amount to a total of 56.1 MDKK before allocation to CBS (main). After contributing to CBS (main) with 45.1 MDKK, the contribution margin 2 of 2012 will be 11 MDKK, an increase of 409% compared to 2007!

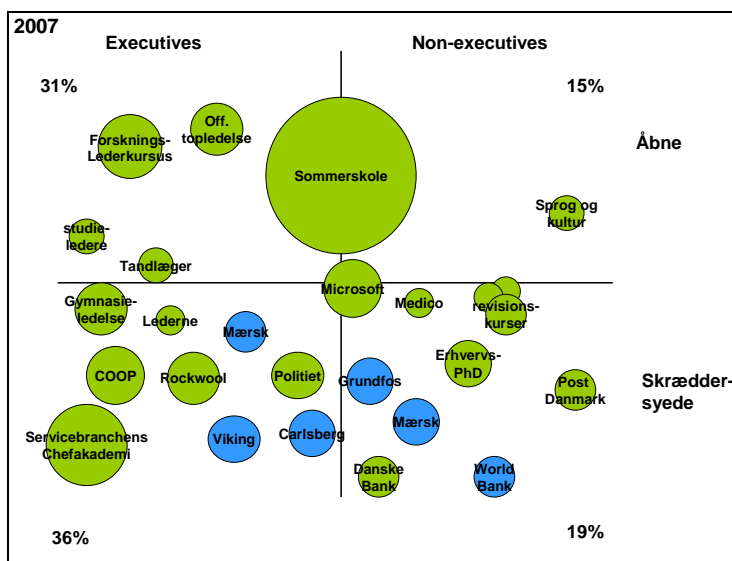
## 3.0 HHE Area

### 3.1 Context

The Business we are in

In 2007 more than 40 different programmes and courses with input from around 70 CBS faculty and 100 external resources have been delivered within the context below. (blue colour; taught in English)

Figure 2, HHE Market overview



### Markets and competition

As the figure above indicates we consider ourselves being in principle of four different markets although they are not strictly boundaried. Tailor-made executive programmes and to a lesser extent tailor made programmes for non-executives have strategically been considered – and have been – a core competence for HHE. Apart from *Sommerskole* open programmes for non-executives have not been prioritised.

The competition in all areas are fierce, coming from many different suppliers, including business schools, consulting companies, professional course suppliers, professional organisations and individuals (including CBS faculty). Examples are professional organisations such as “Dansk Magisterforening”, “DJØF”, “Dansk International Efteruddannelse(DIEU)”, and dedicated training organisations such as “Center for Ledelse”. They are all active both on the open and the tailor-made markets and many of these offerings are by the customers considered – and are to a large degree – as good as any we could offer. Other Danish universities are also on the market but not much compared to CBS. On the other hand international business schools have a dominant position especially within larger Danish companies both regarding open and tailored programmes. Regarding short executive courses it’s a very crowded field internationally with prominent players around Europe and the US which compared to CBS can offer Danish participants an additional cultural and international flavour. In the short run the international market for shorter programmes in Denmark is very difficult to build up. However, it will follow CBS brand value.

### 3.2 Products

#### 3.2.1 Present portfolio

The around 40 programmes and courses vary from year-long tailor-made leadership programmes for the largest Danish companies to two-day open workshops – and everything in between. Some programmes have run for years whereas some tailor-made programmes only run once. Every year around 1/3 of portfolio disappears. The week-long *Sommerskole* with its almost 400 participants has run for 10 years and deliver almost 25% of turnover.

### 3.2.2 New business developments

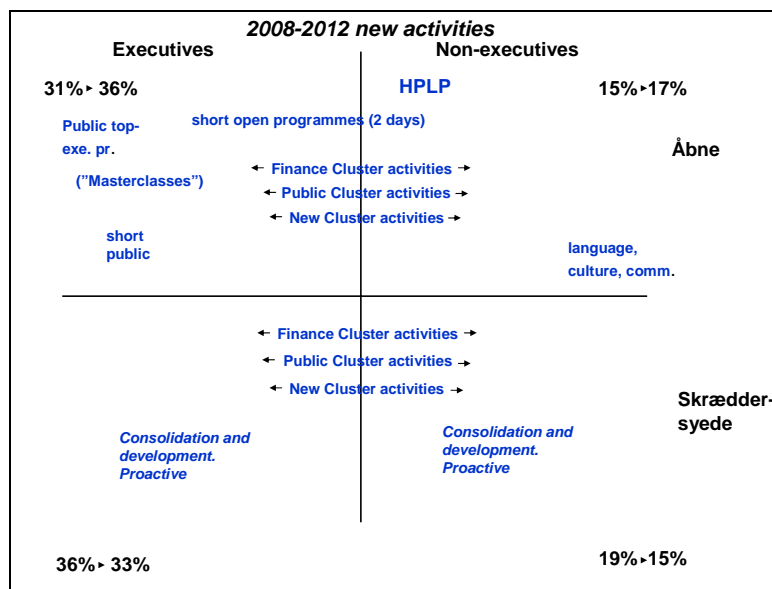
The point of departure for the development over the next years will be our existing markets and our existing competences. We will consolidate and develop existing markets but we will also attack new markets and expand our competences. The natural way to proceed is either to lift existing competences into new markets and/or provide new competences into the existing market. This is what we have tried to do hitherto and what have contributed to the growth of the non-degree programmes over the years. The difficult way is of course to make more transformative actions (new markets, new competences) directly. “The CBS Post Experience Programmes vision” for the non-degree area will in some respect be a transformation process for HHE and therefore literally a vision in the short run, but maybe more doable in the long run.

### Action plan, HHE Area

In the figure below we have mapped (most of) the planned activities according to the four different market segments we use to describe our activities within:

- Consolidate and develop within tailor made programmes – a core competence. Even more proactive vis-à-vis customers. An area with many entries and exits of customers every year
- Consolidate and develop Sommerskole – a major brand in itself
- Develop High Potential Development Programme (formerly Young Managers Programme)
- Implementation according to Finance Cluster recommendations<sup>1</sup>
- Implementation according to Public Programmes Cluster recommendations
- Other clusters?
- Master classes, maybe built on FTMBA electives (to be discussed with MBA)
- Short open (functional) programmes (2 days) – distinguish to Sommerskole
- Focus on areas where CBS has comp. academic advantages (i.e. Shipping, philosophy etc)
- Short open programmes in public area
- Open courses in language, culture, communication – a revival
- Courses for public top-executives – strengthening ties to “Forum for offentlig topledelse”

Figure 3, Principle for new activities in the HHE Area



<sup>1</sup> A cluster is a group of faculty within a specific area, who in agreement with – and paid by – HHE work with programme development and market tests in order to boost activities within the non-degree area.

### 3.3 Human resources

Resources in HHE headquarter (administration, development, marketing...) will be up  $\frac{3}{4}$  person in 2008 compared to 2007. No other changes in the short run. We expect to contribute to and benefit from involvement in CBS Executive cross functional groups within IT, Sales and Marketing. Recruitment of staff will reflect growth in activity as the HHE-organisation is already extremely effective. Faculty resources are a major problem. We have a very good record of involving the scarce resources one way or the other, but the situation is in general a big threat to – and might hamper - the growth expectations. The cluster initiative is a way to engage more faculty, but the feedback from the Finance Cluster indicates that this will on the margin only. We do already to a great extent involve Danish resources from outside CBS. Regarding the use of international faculty they do often not meet the quality standard with respect to understanding and customization when we deal with tailor-made programmes for Danish Companies. For open courses the prospect might be better - apart from the cost structure (academic fees). We will continue to strive for involvement of new faculty, but have no miracle medicine.

### 3.4 Systems, processes & facilities

As a private foundation Handelshøjskolens Efteruddannelsescenter is independent of CBS' finance and accounting systems. Own system functions very well. However, as we are placed at CBS as tenant we are as dependent as any other of well functioning systems (IT etc.). Regarding facilities the non-degree area may be even more dependent on up-to-date facilities as we compete with conference centres and, more important, our customers are not in for longer periods and deem our competitiveness based on only one or few visits for a few days. New participants are coming in year-round to their "first impressions".

### 3.6 Financial issues for HHE Area

#### Turnover (top-line)

Within the non-degree area we are striving for an accumulated growth of around 40% in turnover over the period, based on an estimated growth of 8% per year (2008 prices). A similar growth ratio from 2005-2007 has been based on very intensive efforts and tough utilisation of an increasingly burdened faculty resource pool. The growth rate is considered to be on the optimistic side, given the available human resources, CBS' positioning etc.

#### Net-profit (bottom-line)

The last years stable net-profit margin of 10% is considered very high in the industry given the present portfolio of open and tailor made courses. More focus on open courses may raise profit margin, but higher costs for investments, marketing etc will drive profit margin in opposite direction. A forecast of maintaining the present profit margin at 10% is also considered progressive.

Table 2, Financial forecast HHE Area

Forecast MDKK. (2008 prices)	2007 (est.)	2008	2009	2010	2011	2012
Turnover	25,7	28,0	30,1	32,2	34,5	36,9
Netprofit	2,3	2,3	2,8	3,1	3,4	3,6

## 4.0 HD Area

### 4.1 Context

A new amendment (decree), to the law regarding HD programmes has just been adopted. It implies significant changes as well as it gives us much needed opportunities. It has now been recognized fully that the qualification level of a HD degree corresponds to the bachelor level (B.Sc.) at the ordinary university activities. This recognition is a consequence of adopting the new qualifications framework (EQF) where work-practice is taken into account as qualifying in addition to the class room activities. The programme is still a 4 year part-time programme. As a consequence we are now allowed to use the title 'Graduate Diploma in Business Education' for our graduates. We believe that it will have a positive effect on the recognition of a programme that now fits into the Bologna taxonomy.

The amendment requires that we must redesign the 1<sup>st</sup> part of the programme. Not only should it be seen as an entry qualification for the 2<sup>nd</sup> part, but also it must demonstrate that relevant business competences have been acquired after part 1. In particular the amendment requires that the 1<sup>st</sup> part concludes with a 'project' (mini-thesis) corresponding to 10 ECTS which builds upon theories and practices dealt with in the coursework prior to the 'project'. Furthermore the amendment requires that the institutions in Denmark, offering this degree must produce a 'programme regulation' that is common for all participating institutions. As the institutions vary in size and in perspectives of the programme, difficult negotiations are already ongoing to reach a compromise. In addition the amendment also opens for elective parts in the 1<sup>st</sup> part of programme which gives us opportunities to blend programme according to student preferences. All together we should expect programme changes in a order unseen for a decade.

Finally we should not forget that enrolment of the programme has decreased gradually over some years. Our intake today is half the number it was 10 years ago. One reason is that more students choose a full-time ordinary university programme, but we also face new competitors in terms of programmes offered by university colleges for part-time students. Our own Master programmes have captured part of the market for HD 2<sup>nd</sup> part students.

### 4.2 Products

#### 4.2.1. Existing products

To-day we offer a 2 year HD 1<sup>st</sup> part with no electives which serves as a 'foundation' programme for the subsequent choice of a 2-year specialization in HD 2<sup>nd</sup> part. The student fees are 15.000 – 18.000 DKr. annually for HD 1<sup>st</sup> part and the fees for HD 2<sup>nd</sup> part are in the range of 25.000 – 30.000 DKr. annually for the lecture-based programmes. The virtual programmes have a higher student fee. To thus must be added the state taximeter which is 3.850 DKr. annually. We offer 7 specializations at the HD 2<sup>nd</sup> part level. Two specializations are offered in 'virtual' mode which means substantial IT-supported teaching, significant one-to-one teacher-student interaction and a few lectures. These programmes have not yet proven to be financially viable. The programmes are managed by CBS full-time faculty, but a vast majority of the lectures are carried out by part-time teachers, in particular HD 1<sup>st</sup> part where more than 95% are part-time lecturers. This poses a serious management challenge in terms of providing teacher support material, and in the times of change that we are facing - given the new amendment to the law - management attention must be high. ED programmes are discontinued.

#### Competition.

First and foremost the first degree option (bachelor degrees) at ordinary universities attracts far more students than in the past. HD served as a first degree for students who went into full-time employment to find out later that their career would benefit from a university-level education. It also served as a second degree (further education) for various professionals with a non-business degree. The high end of this segment is now also enrolled in the multitude of master programmes available. University colleges through the 'parallel educational system' now offer programmes that to some degree competes with ours and their intentions to offer 'professional bachelors' will mean new competition.

Furthermore University of Southern Denmark, through the merger with the Business School Center in Slagelse (Handelshøjskolecenteret) offer HD-programmes in competitive vicinity of CBS .

## Goals

1. We intend to turnaround the decrease in enrolment of the intake of students. In the current programmes we hope to have a 2% annually increase and intend to offer new specializations. However the decreasing intake over the last 10 years will have a negative effect for the first 2 years in the 2<sup>nd</sup> part of the programme.
2. We intend to develop a 1<sup>st</sup> part with choices geared towards the 2<sup>nd</sup> part to create a better flow in the programme. We also intend to bring some of the strong researchers of CBS into a few key lectures to capitalize on CBS's strength vis-à-vis our competitors.
3. We intend to disseminate the CBS learning philosophy more strongly into the HD programme observing the challenges given by the massive use of part-time teachers.
4. We intend to offer new programme specializations (2<sup>nd</sup> part) in particular aiming at the public sector. However also new programmes in 'communication', 'IT' could be launched.
5. We intend to market HD programmes as a solid base for entering a general or specialized Master programme
6. We intend to increase the prices of the programmes matched by a quality increase. The quality increase could take many forms; 'smaller class size', 'more electives', 'more project advisory', teacher training etc.
7. We intend to brand CBS vis-à-vis other competitors.

## Action plan, HD Area

1. The amendment to the law entails a series of changes at the HD 1<sup>st</sup> part, which that should make the programmes more attractive. There will be a few electives, there will be increased focus on economics (business, micro and macro) and the project will induce more student-centered work and there will be a Certificate issues that recognizes the learning. This will be a major activity for faculty and staff engaged in the HD-programmes
2. New programmes will be developed – in particular for the public sector. All current specializations aim at the private sector. As a huge potential for management educational programmes has been identified for the public sector we intend to launch a HD 2<sup>nd</sup> part in the sub-master segment. Some modifications, perhaps in terms of the electives will be needed in the 1<sup>st</sup> part.
3. Our marketing effort will be strengthened, in particular the web-based marketing. Prices should increase more than the general price level. As a fee-based degree programme our prices are very low and the changes in the programme will require more one-to-one teaching which is expensive.
4. Our programmes are by nature modularized however we have not used this opportunity for student-centered flexibility in the past. By emphasizing the opportunity to progress with partial course load we will be more attractive to students with heavy family and/or job responsibilities.
5. Marketing-wise and programme-wise we shall try to 'sell' the HD programme as a part one towards a master degree. The latter could be of a general manager's programme (MBA etc.) or a specialized master e.g. In a functional area 'Master of finance', 'Master of marketing' or the master programmes linked to a certain business such as 'Master of shipping'.
6. Use CBS ranking and accreditation as a branding device also for the HD programme.

## 4.3 Human Resources

### 4.3.1 Administration

From mid-2007 HD programmes have been assigned with a vice-dean with secretariat, who is also responsible for the study secretariat of HD 1<sup>st</sup> part. The vice-dean has line responsibility towards the study directors appointed for each of the HD 2<sup>nd</sup> parts and for a study director for HD 1<sup>st</sup> part. The vice dean's office also has responsibility for the cross-national agreements, marketing, programme development, and programme fee suggestions for CBS top management.

### 4.3.2 Faculty

As the HD programmes have the largest percentage of part-time teachers at CBS, management has challenge in terms of recruitment (part-time teachers have a higher turn-around than full-time teachers) and a challenge in terms of monitoring of the activities. The latter is even more important as we face significant changes in the programmes in the years to come. The part-time teachers bring valuable practical experience into the classroom, but we have a serious challenge in ensuring an adequate theoretical up-date. The project work required in the 1<sup>st</sup> part by the new amendment, will necessarily lead to some kind of advisory activities for which it will be difficult to find tenured faculty and for which the part-time teacher have little experience. Recruiting is carried out by the departments having responsibility for the various disciplines of the programme. We are thus dependent upon departments giving due attention to the HD

programmes in times where so many other activities at CBS competes for attention. The part time teachers and the students, as their career progresses, constitute an important alumni base that can be connected to CBS for 'project work', research, internships etc., We should thus see our HD activities as an integrated part of the alumni activities of CBS.

#### 4.4 Systems, processes and facilities

Students, who pay for an education, expect good facilities and good service. The more we can provide 'under-one-roof' decent class rooms, fair canteen facilities, student counselling and admin services, library facilities etc. the more attractive will the CBS offer be of part-time HD students. We should expect more IT-supported teaching, thus these systems should be up and running 7x 24 hours. On-line registration, on-line payment, on-line service of grading etc., should be available to a large extent.

#### 4.5 Financial issues for HD Area

When the HD programmes were part of the Faculty of Economics and Business Administration they were controlled as a 'cost centre'. The programmes were allocated some 41% (small variations) of the student fee and state taximeter. 59% was thus transferred to cover buildings & infrastructure, contribution to research, administration and general overhead.

When HD programmes was moved to CBS Executive, from an organizational point of view, not only were some support and back-office functions expected also to be transferred to CBS executive and CBS top management declared that the HD programmes would now be looked upon from a profit-centre perspective.

The immediate consequence should be that the distribution of funds (originally 41/59) should reflect the new organizational set-up. We have calculated the consequence of moving some of the administrative functions. It will change the distribution split to (47/53) (approx.). As the programme face development activities, that earlier could be applied for by the dean and as the programme should generate a profit we have transferred an additional 4%, thus a (51/49) split. The financial situation can be described as follows:

Table 3, Financial forecast HD Area

CBS Executive - Business Plan		(MDKK)					
HD- Graduate Diploma programme		2007	2008	2009	2010	2011	2012
Students enrolled (FTE)	1	1117	1059	1078	1128	1171	1202
Revenues (gross)	2	57,6	55,2	56,8	60,5	64,6	68,2
Direct programme costs	3	27,3	28,2	29,1	31,0	33,2	35,1
Allocation to CBS(main)	4	30,3	26,9	27,0	28,1	29,1	29,9
Net profit		0,0	0,1	0,7	1,4	2,3	3,1

1 Students enrolled are FTE as part-time students are calculated at 50%  
The numbers include one new HD 2nd part specialization.  
Total Revenues are based upon a 3,5% increase in total fees above the general price-level. State fees are expected to decrease marginally.

2 Direct programme costs are calculated to 47% in 2007 corresponding to the budget model operated by the Faculty of Economics and Administration.  
The increase from 41% to 47% is due to the study administration being transferred to CBS executive.  
Direct costs are calculated to 51% in 2008 - 2012. The increase is due to establishment of a management function and increased marketing (2%), development of new specialization(s) and adjustment to the new amendment(2)

4 Allocated to CBS (main) in 2007 (53%) covers CBS O.head, CBS Infrastructure and a research contribution.  
The latter approx. 25% of total revenues. From 2008 the allocation to CBS(main) is reduced to 49%

Based upon the assumptions stated the HD programmes should be able to generate a small profit after having contributed significantly to CBS infrastructure, CBS research. However HD programmes will face tough competition from ordinary university education and the professional bachelors that will be offered by the university colleges. As HD programmes service more than 2000 students it is not likely that there will be room for these activities in the intended new executive centre.

## 5.0 Master Area

This section is structured in four program areas. The four areas, the MBA Area, Public Programs Area, Specialized Programs Area and Blue MBA/DBA area do all sell to both commercial and public sector markets.

### 5.1 Context

#### 5.1.1 Market

##### The Commercial marketplace

A few noticeable developments in the commercial marketplace might potentially affect our business in the future: Size of the national market for executive masters: Based on demographic statistics, the population between the age of 30 and 44 in Denmark will drop from the current 1.2 million to 990,000 by 2018. That means our primary market group will be reduced in size by 18% in 10 years.

##### The Public marketplace

The public sector in Denmark has been subject to *structural changes* in the organisational set-up over the last five years. The Government Reform of January 1<sup>st</sup> 2007 has produced fewer organisational entities, thus diminishing the number of managers in the sector by an estimated 1,500 persons. However, the sector is subject to further changes due to the Quality Reform announced by the Government in 2006. Great emphasis is put on the development of management at the institution level (through diploma studies). As a consequence of the Three-Party Agreement in the summer of 2007, a so-called 'flexible master in advanced public governance' has been put on the agenda. We participate in the development of this programme, the formal frames of which still remain to be seen, as they are subject to further negotiation between the Three-Parties. An overall observation is that formal qualifications in management are gradually becoming a standard requirement for anyone pursuing an executive career in public service. However, it is becoming more difficult for public managers to find the time necessary to pursue a master programme. This may explain the trend towards applicants being younger, more focused on outcome, but without management experience, in comparison to the situation 5-10 years back. To this trend should be added the increasing focus on leadership/people management in securing sustainable working environments in the public sector, not least securing a sufficient work force in the light of the retirement of close to 1/3 of all public employees over the next 10 years. As a consequence of growing demands from tax-payers in combination with the demographic challenge, the public sector will be facing ever greater expectations towards its performance. The current development in the health care sector indicates a trend towards 'quiet privatisation' through increasing demand for insurance-based health care services which were previously located in a tax-financed public sector-environment. This could mean that the present market for CBS' public programmes is changing.

#### 5.1.2 Competition

See Appendix A) Competition analysis.

Sales and marketing will be characterized by being very proactive without being pushy. We are in the process of activating our alumni much more in this regard.

## 5.2 Products

### 5.2.1 Existing products

#### MBA and other programmes administrated in MBA Area

- Full time Master of Business Administration (FT MBA)\*
- Executive Master of Business Administration (EMBA)\*\*
- Executive Certificate in Business Administration (EC)\*\*\*

#### MPA and other programmes administrated in Public Area

- Master of Public Administration (MPA)

- Master of Health Management (MHM)
- Master i skat
- Master i Kunnskapsledelse

### Specialized Executive Master Programmes

- MBA in Technology, Market and Organisation (MBA TMO)
- Master of Language Administration (MLA)
- Master i Fremmedsprogs pædagogik (MiF)
- Master of Corporate Communication (MCC)\*\*\*\*
- Master of Management Development (MMD)

### Other Programmes

- MBA in Shipping & Logistics (MBS)
- Doctor of Business Administration (DBA)

\* Full-time MBA: The recent announcement by Stockholm to close down the full time MBA due to changes brought by the Bologna Accord may not be 100% justifiable. However, it also means that we need to continuously reinforce the value of the MBA education as post-graduate, post-experience.

One of the key areas for the full-time MBA development is alliances and international exchanges. The current programme structure involving leadership and entrepreneurship tracks and a team-based strategy project of 4 months do not accommodate these initiatives. We will need to rethink the programme if these are deemed priority. Also, the cooperation with Mannheim shows that alliances and cooperation involve additional resources and take up time of the staff and this is incongruent with the mandate of cost control – cost management.

\*\* Executive MBA: The cohort model is under pressure at the moment. The EC is becoming more appealing to our candidates than the EMBA due to the flexibility and less frequent class schedule. Based on the current projection, the intake for January 2008 is expected to be about 40. Because it is inconvenient for the attendees, that they have to meet at Dalgas Have with a high frequency, we plan to re-model the EMBA programme into less frequent – but longer class sessions for the intake in January 2009.

\*\*\* Executive Certificate: When the EC was first introduced, the plan was to bring the EC 2 participants to take part in classes with the EMBA's when they enrolled in the 2<sup>nd</sup> year of the EMBA curriculum. We project that the growth in the intake for EC will mean that there will be more EC2 joining the EMBA which means that we will not be able to accommodate the participants in one class. In the near future, we foresee the EC2 (who are going to be a part of EMBA) will have its own courses on strategy and having joint seminars on strategy projects with the EMBA cohorts.

\*\*\*\* The Master of Corporate Communication programme is currently as an experiment being offered as a certificate model. The experiment will be assessed in 2008. The programme has engaged in collaboration with University of Lugano in Switzerland which is still under development. The perspective is to develop this collaboration into a strategic alliance in order to offer a joint degree. This of course will have implications for the future programme design. There is some way to such a joint degree and the project has been allocated additional resources in particular in terms of manpower.

### 5.2.2 New Bizz

There is a need for creating an aligned portfolio of programmes with stronger focus on the public sector perhaps combined with short open programmes, discontinuation of unprofitable activities, and creating selling points between programmes across CBS different programme areas. In the Executive Master area we will develop at least two new masters; Innovation and performance, and IT management are under development, and there are ideas about Finance, Creative industries and design, and a virtual MBA. Furthermore we will be closing down loss making programmes if not changed to profit making.

## 5.3 Human resources

With the projection of considerable growth of admission of participants, this will call for review of some level of additional staffing. The budgeting has been done with that perspective. Furthermore there seems to be a need for more support due to the cross organizational functional teams, Team Sales, Team Marketing, Team Finance, Team IT and Team Human Resources. We will work on that within the limitations of the budget and financial forecast.

### 5.3.1 The administration

The general level of competencies is satisfactory, as well as the level of motivation. There has been few or none education of the staff during the last years, and we will allocate resources to fill the competencies gap during the planning period. There will be a need for closer collaboration, and due to the fact we foresee some teambuilding activities.

### 5.3.2 Faculty

We have a huge need for internal resources at CBS in terms of faculty due to leadership, strategy and entrepreneurship. We will invest in attracting faculty with expertise in these areas to avoid the vulnerable situation we are facing now

especially with the leadership faculty. The amount of contact hours can be a way to cut down costs, but for the MBA Area we have to meet the minimum of 500 hours demanded by the different MBA accreditation societies. We plan more involvement of faculty by a more intensive meeting structure.

## 5.4 Systems, processes & Facilities

The whole Executive area will aim for a new CRM system as well as a new HR system. Furthermore we are in the process of providing a better self-serving electronic system which can cater for international clients where our website and the possibilities it offers could release us from some of the administrative work such as sending material to potential applicants, etc. The administrative activities will be focused on improving more user-friendly systems for IT, Financial management (Invoicing), Registration (applicants, grades, etc.). For the DBA there is a need for improved and more user-friendly website, not all the material could easily be accessed through the website such as the PhD courses.

We will work for improving the facilities in terms of square meters, meeting rooms, classrooms, and infrastructure in general and the quality level in the services due to the students/customers in particular.

## 5.5 Financial issues for Master Area

The financial goal for CBS Executive has been set to increase revenues significantly during the plan period. We will, as mentioned above, contribute to the overall goal by a mixture of increasing programme fees and increasing number of participants in selected programmes. Furthermore, the introduction of new programmes will enhance the overall activity of the area.

Table 4. Budget and 5 years forecast Master Area

(MDDK; 2008-prize level)	Budget 2007	Budget 2008	Forventet 2009	Forventet 2010	Forventet 2011	Forventet 2012
Deltagerbetaling	49,249	46,712	56,693	59,217	62,899	62,047
Taxameterindtægt	3,672	3,670	3,695	3,893	3,912	3,924
Andre indtægter	1,527	0,632	0,500	0,500	0,500	0,500
Bevillinger fra CBS Exec res.fond	0,154	0,700	0,250	0,000	0,000	0,000
Bevillinger fra CBS Led.pulje	0,000	0,000	0,000	0,000	0,000	0,000
	0,695	0,677	0,022	1,332	-0,093	1,447
<b>Indtægter i alt</b>	<b>55,297</b>	<b>52,391</b>	<b>61,160</b>	<b>64,941</b>	<b>67,217</b>	<b>67,918</b>
Bidrag til CBS fælles	6,588	6,170	7,365	7,685	8,122	8,017
Bidrag til CBS IT	0,574	0,639	0,587	0,587	0,587	0,587
Bidrag til CBS Learning Lab	0,256	0,369	0,425	0,425	0,425	0,425
Bidrag til Executive reservefond	4,724	3,643	5,260	5,411	5,708	5,335
Bygningsbidrag (del af taxameter)	0,000	0,298	0,356	0,364	0,364	0,363
Bidrag til andet	0,205	0,216	0,039	0,393	0,008	0,424
<b>Bidrag i alt</b>	<b>12,348</b>	<b>11,334</b>	<b>14,032</b>	<b>14,865</b>	<b>15,214</b>	<b>15,152</b>
<b>Indtægter minus bidrag</b>	<b>42,950</b>	<b>41,056</b>	<b>47,128</b>	<b>50,076</b>	<b>52,003</b>	<b>52,766</b>
VIP-løn	7,781	10,597	13,009	12,759	13,541	13,237
DVIP-løn	0,244	1,091	1,324	1,574	1,394	1,588
TAP-løn	5,834	12,312	13,655	14,028	14,252	14,524
Øvrige driftsomkostninger:						
Marketing	1,419	6,062	5,699	6,273	6,175	6,626
Undervisning	2,283	6,584	6,811	6,762	7,014	7,021
Administration	1,513	1,931	1,239	1,130	1,235	1,246
Udlæg for deltagere	0,945	0,500	0,500	0,500	0,500	0,500
Andet	22,495	1,492	3,444	3,556	3,649	3,748
<b>Omkostninger i alt</b>	<b>42,515</b>	<b>40,569</b>	<b>45,681</b>	<b>46,582</b>	<b>47,761</b>	<b>48,490</b>
<b>Resultat</b>	<b>0,435</b>	<b>0,487</b>	<b>1,447</b>	<b>3,494</b>	<b>4,242</b>	<b>4,277</b>

### Comments:

- The Revenues increase from 55,3 MDKK. in 2007 to 67,9 in 2012. An increase at 23% in fixed prizes.
- The cost will rise with 14%.
- The bottom line will raise 10 times the 2007 level.

## Action Plan, Master Area

The actions and goals for the next five years in order to reach the financial goals presented above can be summarized in terms of the following bullets:

1. Programme Portfolio
  - a. Create an aligned portfolio of programmes with stronger focus on the public sector, short open programmes, discontinuation of unprofitable activities, and better synergies between programmes across CBS different programme areas
  - b. Development of at least two new masters; Innovation and performance, and IT management, and may be Finance, and Creative industries and design
  - c. Start of a virtual MBA
  - d. Closing down of a loss making programme if not changed to profit
2. Learning Outcomes and Pedagogy
  - a. In all programmes base the learning experience on the Nordic learning philosophy in order to stimulate scholarship, leadership, global citizenship, communication and collaboration, decisiveness and curiosity.
  - b. Development of documentation for teaching executive education
  - c. Development of a training programme/seminar
  - d. Conceptualization of the concept of and approach to Leadership in our different programmes
  - e. Conceptualization of and format for specification of learning outcomes from each programme
3. Quality Assurance
  - a. Customer survey will be basis for improving processes, materials, teaching, beverage, administration a.o.
  - b. Employee survey will be basis for developing all competencies and especially due to sales competencies and inbound/outbound teleselling/service, IT- upgrade, and teaching executive education
4. Teaching Capacity
  - a. Initiate systematic dialogue with department heads in order to identify talented faculty to enlarge the faculty base of CBS Executive.
  - b. Support pedagogical training in order to develop competences needed to perform in CBS Executive programmes
  - c. Negotiate a new salary scheme to create stronger motivation for faculty to engage in executive programmes
  - d. Demonstrate high quality in programmes, delivery, student services, quality of students and faculty, research base, infrastructure and assessment regime. Visual symbols of quality will be the Triple Crown Accreditation: EQUIS, AMBA and AACSB, and good ranking positions in Financial Times and the Economist.
  - e. Conduct regular student and customer surveys in all areas will assure enhanced customer orientation
  - f. Implement regular employee surveys to assure close dialogue with teaching and administrative staff in order to enhance HR satisfaction and reduce turnover of employees.
  - g. Establishment of a professorship and research team in Leadership (participation with departments)
  - h. Data base of internal teachers
  - i. Data base of possible external teachers
  - j. Pilots with involving young potential teachers in parallel roles, may be as CBS Executive DBA candidates
  - k. An annual “add teacher(s) to the resource base” programme
5. Marketing and Sales
  - a. Develop and implement a systematic sales process based on IT based CRM system including a customer database common to all the three programme areas.
  - b. Investigate how to improve the handling of initial customer contacts and act on the knew knowledge
  - c. Introduce Key Account Management across programme areas to take account of education needs of key customers.
6. Growth and Profitability
  - a. Conduct regular careful finance control in all units to secure that budgets are followed and eventual deviations are detected in due time
  - b. Figures: in appendix A)
  - c. Activity due to controlling:
    - i. Monthly meeting in EMT – finance and activity reporting
    - ii. Monthly Finance/Budget meeting CXO/Finance controller

- iii. Budget follow up meetings every 3 months with Programme directors
  - iv. Budget meetings 1-2 a year with programme directors
7. Developing Campus and Facilities
- a. More classroom capacity (space to 55 persons – need for 70)
  - b. More and better meeting space/learning labs a.o.
  - c. Improve space management – IT, boards, tables etc.
  - d. Improve infrastructure in general – communication, IT
  - e. Improve the ‘Exclusivity’

Executive summary:

*This Business plan has shown us, that it is possible to achieve the needed growth as well as increase profitability.*

The Executive Master Area will expand in the public sector, supported by the national reformation of the regions, and by the political quality leadership improvement decisions. In the private sector we see an increasing need for differentiated specialized master programmes. Developing new programmes and at the same time improve the whole infra structure - from systems and processes to faculty and facilities will help us to achieve the growth and the profitability as budgeted. Achieving and maintaining the three major accreditations is a special goal, and the accreditation process will help us to secure the level of quality everywhere in the executive organization, as well as forcing us to secure a common quality platform and modularize especially the MBA programmes.

For the HHE area we believe that a 40% growth in activities within the business plan period is obtainable (to DKK 37 mio.) and at the same time, despite increased costs, risk taking and marketing, keep a net profit margin on 10%. Consolidation within the core competence area of tailor made programs for executives and non-executives as well as an increased focus on short open programs will initiate this growth. However, a major challenge will be the scarce resource situation for "post experience skilled" faculty as well as a much crowded marketplace for short open programs.

The HD diploma area is in a turbulent situation where a decrease in the intake of students should be reversed by offering a few new HD part 2 specializations in particular for the public sector, and by making the programmes more attractive. The latter should be achieved by a programme reform (electives, smaller classes) supported by an increase in tuition. However HD will meet new competition as University Colleges will offer programs to the same student segment that we approach. Branding CBS as a strong research-based business university and linking up to the Master programs should work in our favour.

It is essential for achieving the goals that we succeed in professionalizing the marketing and sales activities, taking advantage of large shared databases, sales across program areas and strong communication to the different market segments.

This Business plan and the enclosed action plan show the details due to the above mentioned intensions and targets.