

Keystone business administration institute: A case study in failed entrepreneurship

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ABSTRACT

This descriptive case study reflects an entrepreneurial business that the author was a partner in for several years. Keystone Business Administration Institute (Keystone) endeavored to provide online educational programs that encompassed a wide variety of college and graduate level type business courses for continuing credit. Its market consisted of small and mid-sized for-profit and non-profit organizations. The Keystone concept was innovative and novel for its time and the firm was a pioneer in the growth of online business education.

Faced with limited capitalization and few employees from the outset the firm struggled to market its services beyond a small number of clients. Increased competition from higher educational institutions such as Kaplan College and the University of Phoenix which discovered increased revenue sources in online distant education, and the introduction of online education into the traditional modalities of existing colleges and universities eventually proved fatal to the struggling Keystone organization. After some six years, Keystone ceased operations and became just another example of a failed entrepreneurial venture.

Keywords: entrepreneurship, continuing education, online business programs, Keystone Business Administration Institute, pioneers in online education

LEARNING OUTCOMES

In analyzing this case study students will be able to:

1. Evaluate if a new business is an entrepreneurial venture.
2. Analyze the marketing strategy of an entrepreneurial venture.
3. Summarize the facts and make a connection to a current entrepreneurial market while evaluating human input, financial/capital, and marketing aspects needed to support a successful entrepreneurial venture.
4. Reflect on learned material and recommend how an entrepreneur can avoid or overcome these difficulties in establishing his or her new venture.

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INTRODUCTION

It was a sad and difficult decision fraught with much personal emotion and stress that the three partners of Keystone Business Administration Institute (Keystone) reached that day in May. Six years after launching their innovative venture in online business programs and certificates, and faced with the continued struggle to gain client acceptance, the partners had come to a final realization that it was best to cease operations and close the venture.

The original concept to offer a variety of business skill and concept courses as a continuing education online program was original and novel for its time. The partners' research clearly demonstrated an existing need and that few of the targeted organizations were offering online business educational opportunities to their employees. Distance education was an innovative educational methodology and gaining acceptance, but still novel to traditional educational institutions, which only heightened the optimism of Keystone's partners.

Keystone's business programs sought to service learners of small to mid-sized nonprofit and for-profit organizations who lacked basic business skills or who needed to refine their dated business skills. Yet, after some six years of effort Keystone had far too little to show for its efforts; the struggle to gain clients, had fallen far short of the venture's early projections. Limited full-time personnel depleted financial resources and the ever-increasing costs of the firm's marketing efforts had all proven to be too difficult to overcome. Growing competition from more established collegiate educational institutions, new entries into distance education, such as the Washington Post's Kaplan College, the Apollo Group's University of Phoenix and the American Management Association's Growing Companies Division, which now catered to and offered its seminars to small and mid-sized business organizations added to the firm's difficulties. All had become major obstacles, which ultimately proved too difficult for Keystone to compete with successfully.

Keystone's management team reflected upon their important decision and each wondered why their innovative concept had failed. The dream that began with such great promise and hopes for success had now ceased operations and closed. What had gone so terribly wrong with such a unique concept and such an innovative and novel educational idea?

THE ORGANIZATION

Keystone Business Administration Institute was the idea of the founder, Dr. Rob McDonald Jr., who refined Dr. Peter Senge's learning organization and established Keystone in 2006. Incorporated in rural Huntingdon, Pennsylvania as an LLC, Keystone had three principals, Dr. Rob McDonald, President and founder, John McPhee and Dr. Bob Brown. The three principals were all experienced professionals who held a variety of managerial positions and each had teaching experience. Dr. McDonald was a practicing senior accountant for over 20 years and served as an adjunct mentor for California Southern University. John McPhee held an MBA degree and was a global consultant to the air cargo and logistics industries; his latest assignment found him consulting to several air carriers in Frankfurt, Germany. Dr. Bob Brown was a long-time

sales and marketing professional who was currently serving as Senior Vice President for Iris Window Fashions. Like his partner, Dr. McDonald, Dr. Brown had over 19 years' experience in teaching business courses at both Mercy College and SUNY Maritime College in New York.

The firm was intended from the very start to provide integrated business educational services to for profit and non-profit organizations. The multi-level program structure of business courses was designed to meet the needs and desired skills of the individuals working at different levels within the client organizations. Indeed, the firm's motto, "Professionals Helping Professionals" provided the firm with program consultation, and courses that would enable the client firms and their employees to compete in the global environment of the 21st century. Before traditional colleges and universities awakened to the importance of distance learning and the importance of non-traditional students, Keystone was offering its unique online business programs to business clients. Babson Survey Research Group, (2019)

Thus, Keystone from its inception was designed as a distance learning organization that would become an educational partner with its client organizations in a living/learning educational approach that emphasized a commitment to education through the organization's commitment to continuous learning and development. The firm would not be a mere provider of educational services but strove to become an integral partner and to develop a long-term relationship with its clients. Indeed, Keystone envisioned that as an educational partner it was the firm's responsibility to work hand-in-hand with the client organization's management to develop and design new programs where needed to meet new challenges of its client base.

The firm's mission as developed by its founder and president, Dr. McDonald, stated:

Our mission is to be an educational partner for business organizations that provides outstanding facilitation and other services using distance learning practices and Internet technology.

We will (sic) use advanced program formats that provide distance learners with opportunities to achieve the skill level that is necessary in order to compete in a 21st century business environment....

Our services will bring together the elements of distance learning practices, customized program content, and Internet delivery systems permitting our partners to achieve their training and professional development objectives.

To achieve its mission and goals, Keystone developed a broad network of educator-mentors who were senior level management professionals and who held advanced degrees. Some 40 mentors, many of whom held doctorates from prestigious universities, were committed to student success in a distance-learning environment. These mentors were employed as independent contractors working on behalf of Keystone.

THE EDUCATIONAL MODEL

Keystone's educational approach specifically incorporated the concept of a living/learning, which was specifically designed to enable the client organization's employees to develop those management and operational skill sets that were needed to manage and lead the organization in the very competitive twenty first century competitive

environment. The firm's educational model was built on three separate but intrinsically connected sections: foundation, structure and atmosphere.

Foundation - was built upon and refined from the learning organization concept as originally expressed by Dr. Peter Senge in his seminal work, *The Fifth Discipline: The Art and Practices of the Learning Organization* (1990).

Structure - consisted of two support approaches, specialized training and professional development. The former recognized the necessity for in-house corporate development programs for the firm's operating practices and the latter, specific programs provided by Keystone via distance education.

Atmosphere - the model encouraged the client firm to establish and commit to continuous institutional learning that enabled the organization to successfully use what is learned to meet the challenges of the ever-changing global market place.

The Keystone educational model represented an advancement in the learning organizational concept as originally proposed by Dr. Senge. It further permitted the commitment of "Professionals Helping Professionals" to create an organizational environment that enabled client firms to achieve outstanding performance and to compete successfully. The use of highly qualified mentors, often working one-on-one, enabled Keystone to provide its learners with a level of understanding, comprehension and perspective that only comes from real world experience and cutting-edge technology.

PROGRAM OFFERINGS

The program offered a large number of exclusively developed, self-directed learning programs using a modular Internet format with mentor assistance. Courses and programs were designed for the individual learners to meet their specific needs and goals, and students were able to enroll and complete the coursework on their own time and schedules. These professional development courses focused on fundamental business concepts and practices and included courses in Economics, Human Resources, Ethics, Marketing, Finance, Operations and Production. A series of more advanced courses akin to graduate level business courses were developed for senior management and dealt with topics relating to TQM, Strategic Management Issues, Organizational Behavior, Labor Relations, Purchasing, Global Business and Marketing, Financial Analysis and Leadership. Additionally, Keystone offered perspective clients an opportunity to customize program offerings to address specific organizational needs through a Custom Program Center.

Course offerings relied on collegiate textbooks, Internet resources and mentor syllabi to focus on current and real-world problems and challenges for organizations. Assigned course mentors acted as facilitators, assigned course work, read course work, and graded assignments. Students were able to communicate with their faculty mentors in person, by telephone, by email or Skype. Continuing Education Units, (CEUs), accredited by the International Association for Continuing Education and Training, (IACET), and Certificates of Completion were granted to learners upon the successful completion of courses and formal programs of study.

In addition to the above services, Keystone offered certificate programs. For example, organizations could enroll members in programs dealing with the Learning Center Administration, or Team Leadership. These programs were developed and designed in partnership with the client organization to determine what skill sets were necessary for the

firm's employees to qualify for certain specific positions in the organization. Individual courses were then designed to meet employee development needs and skill set requirements. The program focused on three specific levels of development, basic concepts and practices, performance enhancing projects and activity-focused skill set enhancement activities. All course offerings were under the guidance of the institute's mentors.

The Keystone Forum represented yet another additional refinement to the program offerings. The forum permitted interaction among learners, mentors, and other contributors to the learning community. The intent of the forum was to encourage ongoing discussions of issues of global and domestic significance that were important to working business professionals and enrolled student learners.

In short, Keystone Business Institute's educational model provided by client organizations with comprehensive professional business development programs in fundamental concepts and practices, and executive management level skills. It provided, via distance education, both undergraduate and graduate level type courses that challenged learners to improve their knowledge, concepts and business skills in a self-directed, mentor assisted program. Keystone's commitment to the Living/Learning Organizational education model would enable both the learner and the organization to meet the new challenges of competing in the global environment of the 21st century.

Like so many entrepreneurial ventures, Keystone held great promise and had developed a unique product offering to meet a real customer needs, but was challenged by several factors in its efforts to market the product successfully. Unfortunately, limited marketing efforts, capital funding, lack of management personnel and changes in the competitive environment all seemed to conspire against the Keystone management team to preclude the organization's success.

MARKETING KEYSTONE'S SERVICES

One of the keys to the development of the Keystone's marketing plan was the cost factor. The firm's courses and programs were very competitively priced from \$300 per student enrollee for a basic course to \$375 for an intermediate course and \$450 for advanced executive courses plus the cost of educational materials and a suitable college level textbook. Costs when compared to those of the largest and more established branded competitive organizations, the American Management Association and the American Marketing Association was most competitive. Ed Horell (2019) noted that costs from these organizations for much shorter two- and three-day seminars ranged from \$900 to \$1,300. Compared to program seminars from both these well-established organizations Keystone's program offerings were anywhere from 23 to 33.3% lower and involved mentor support and interaction in an on-going business relationship with the client organizations which provided another positive feature offered by Keystone but not by its competition.

The firm's target market was small to mid-sized firms in both the profit and non-profit sectors. More specifically, Keystone targeted firms under 300 employees as well as museums, school districts, parks & recreation departments, library systems, state and municipal department of transportations and state governmental agencies. Keystone's preliminary marketing research demonstrated that many of the employees of these prospect organizations lacked strong business skills and practices and could benefit from the firm's online business educational offerings.

The principals decided that the firm's marketing and promotional efforts would be reliant upon personal selling, preparation of promotional booklets and brochures and the creation of a corporate website. The decision of the partners to concentrate marketing efforts on personal selling was based upon the very innovation of the service that was being offered; the creation of a learning living organization with business online coursework specifically designed to the needs of the client organization and a continuing long-term relationship. Such course offerings differed from the existing competition and more traditional approaches of short-term classes and seminars conducted by competitors such as the American Management Association and the American Marketing Association. Seminars from these organizations included Management Skills for New Managers, Developing Executive Leadership, Marketing Management Boot Camp, and Advanced School for Marketing Research.

The partners, further, believed that personal selling was needed to convey the novelty of the learning living concept and respond to customer program questions and questions specifically as they related to the online mode of course delivery. Personal selling also offered the Keystone team a better opportunity to discuss a wider range of potential services offered such as the Learning/Living Management Program, Team Leader, Key Concepts Program, Custom Center Program and the Keystone Forum programs (see the Appendix for more detail on these programs).

With limited funds available, advertising in print and on the radio was discussed and discarded as too limited in market appeal, too costly and not suitable for the product offering. In addition to personal selling, it was hoped that the creation of the corporate website, www.keystonebai.com, would provide a broader appeal for the dollar while also serving to provide more detailed program information and instantaneous contact with prospective business clients. Ultimately, the firm's new website allowed it to promote its program offerings to a wider national market, allowed potential clients to view program offerings and interface with the management team to ask questions about the varied programs. The website provided Keystone with a marketing tool in which to convey its unique services. Selling the firm's product fell to the principals and several senior level mentors. It was their responsibility to prospect for suitable clients and to follow-up on inquiries obtained from the website. Identifying prospective clients and getting an appointment to present the product were severe challenges. The firm's limited funding further complicated the selling efforts, as the market had to be geographically restricted to the area from Massachusetts to Virginia that could be reasonably traveled for sales presentations by the firm's management team.

Sales promotional materials were also developed to market the educational programs and explain the key services provided by Keystone. These resources were available for presentations and could be sent to prospects who requested any additional information. While Keystone did receive a number of inquiries about its programs and services through the corporate website, many of these contacts were primarily from individuals rather than from businesses. Personal selling still seemed to represent the best alternative to selling the firm's educational services. The firm's management made formal presentations to professional service organizations such as Rotary International, Kiwanis, and to school districts, museums, libraries, and governmental agencies such as parks and recreation departments and state departments of transportation. While the presentations helped to gain recognition for the firm and its products, they unfortunately gained all too few business clients.

SUCCESS AND FAILURE

In the very competitive marketplace, each year, approximately 150,000 to 190,000 new businesses are launched. All are eager to serve their customers with the best products and customer service possible. Yet, the reality has demonstrated that nearly 50,000 of these new business ventures will fail in the first year. Clearly, having a brilliant idea or creating a unique product or service is no guarantee that the entrepreneur or small business owner will be successful.

Keystone Business Administration Institute had a very unique product that had been established to fill the need for fundamental and advanced business knowledge, skills and cutting-edge practices in small to mid-sized businesses and non-profits. Yet, from the very outset of the firm's establishment, it was strained and constrained by limited capitalization. Indeed, initial capital and subsequent funding were raised solely from the three principals of the organization. The initial capital approximated a mere \$10,000 with several thousand dollars more added in subsequent years from the pockets of the three principals. Revenue generated since the organization's inception approximated less than the initial capitalization. Profits were virtually nonexistent.

Efforts to seek out small business loans, or even grants to small businesses were unsuccessful. Angels and venture capitalists also proved difficult to find. On two separate occasions, however, suitors who offered to invest in or purchase Keystone had approached the managing partner. A venture capitalist firm from Philadelphia and the Washington Post both had made serious inquiries into the possibility of investing in or purchasing Keystone. Ignoring the entreaties of his partners to give serious consideration to the offers, Dr. McDonald proved reluctant to sell a share in the firm or sell Keystone outright. The managing partner all but ruled out the idea of seeking out venture capitalists to assist fund Keystone. He remained reluctant to turn over a share of ownership in the organization to outside investors whom he was convinced would seek to change the mission and programs in order to recoup their investment. Consequently, Keystone, which remained under capitalized and underfunded from the outset, continued to suffer from lack of sufficient financing throughout its history. Thus, lack of a strong capital base and limited cash flow plagued the firm and severely affected its efforts to market its products and hire additional needed personnel to help market its service to perspective customers.

Keystone's small management team also suffered from attempting to do too much with severely strained and limited resources. With only one of the three principals engaged in full time activity on behalf of the firm, the tasks of marketing, selling, and trying to raise funds were overwhelming. The lack of a larger full time management team only made the firm's situation more difficult and continued to severely handicap the marketing and sales efforts.

CONCLUSION

For over six years, Keystone Business Administration Institute struggled to market its business programs and services to the small and medium sized for profit and non-profit sectors. With a handful of individual clients and only one business client, Oakbrook, Illinois Department of Parks and Recreation, success and profitability had proven elusive to the principals. Driven to shore up the organization and prevent its closure, the president,

Dr. McDonald, undertook efforts to develop educational relationships and programs for smaller degree granting institutions such as Senior International University and Royal College both of Canada. Neither of these efforts proved successful. Even a decision to try to reorganize and undertake a change in the firm's name to Keystone Distance Learning Services failed to turn the firm's fortunes around.

Further complicating Keystone's misfortunes were the changes occurring in the competitive environment. Traditional colleges and universities that had been so long opposed to the concept of distance learning had now entered into online educational programs offering courses and even entire business degree programs online. It was now possible for a student to obtain bachelors, masters and even a doctoral degree from accredited colleges and universities via distance education and without ever setting foot on a campus. The virtual university could now provide many of the same program course offerings that Keystone had offered, but only now, the programs would be offered both for credit and in accredited degree programs. The Washington Post's Kaplan College and the Apollo Group's University of Phoenix quickly expanded into distance education to take advantage of the new cutting-edge educational program offerings and a fast-growing market. Consistently lacking financial resources and unable to compete any longer with these new challengers, Keystone after six years of struggle ceased operations and quietly faded away. What had been such a promising and innovative concept ended in a teleconference among the firm's three partners and the decision to cease operations.

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APPENDIX**Appendix A
Overview of Keystone Program Offerings**

The Keystone Forum is a very sophisticated bulletin board system that permits interaction between learner's, mentors, and other contributors to our learning community. A forum for the discussion of general topics is available to all members of our learning community. The purpose is to encourage an ongoing discussion of issues that are important to working business administration professionals in today's global business environment. Forums for specific courses will be available to learners currently enrolled in that course. Moderated in most instances by a course mentor, these forums permit interaction between learners focusing on the issues that are being presented in that course.



Learning/Living Organization Programs

Keystone Business Administration Institute is a leader in the development of programs that help companies move forward as learning and living organizations. We recognize the importance of this emerging management concept. Our programs prepare organizations to use the practices that will permit them to successfully face the challenges of today's competitive business environment.

Corporate Learning Center Administrator Program

A special five-course program that prepares an individual to administer a learning center using the Keystone Learning/Living Organization Model. The courses in this program are:

Understanding the Learning Organization Concept
Understanding Corporate Strategy
Managing Individuals, Groups and work Processes
Building a Learning Organization
Living Organization Management Concepts and the Keystone Model

Manager and Team Leader "Key Concepts" Program

This is an expanded three-course program that is designed to help managers and team leaders prepare for their leadership role in a learning/living organization. The courses in this program are:

Foundation of a Learning Organization
People Working in Organizations
Management Practices in a Learning/Living Organization

Learning/Living Management Program

This is a three-section program that provides understanding of essential learning/living organization management practices, increases the performance skills necessary to put those practices into action, and encourages skill enhancement in the learner's specific area of activity. The program is designed for multi-level presentation, which permits us to address the needs of individuals who are performing at different levels of the organization.

Our professional development programs are based upon current college textbooks and use a learn/mentor interaction plan. We encourage a high level of contact between the learner and the mentor focusing on the practical aspect of how the course concepts are used in the learner's work environment. We provide courses at three levels.

Fundamental Concepts and Practices Program

This program is designed to provide beginning business administration professionals with an understanding of the concepts and practices that are considered to be the foundation of business administration management. The program begins with five foundation courses. These courses provide an understanding of basic concepts and practices of business administration. The learner selects five skill enhancement courses to complete the program. The learner can choose from a wide variety of courses that are designed to meet the needs of professionals working at the operational level of an organization.

Master Management Program

This program is designed to provide middle management business administration professionals with an academically challenging yet practically focused professional development program. The program begins with five foundation courses. The foundation courses reinforce the knowledge areas that most business professionals rely on to perform at this level. Five skill enhancement courses complete the program. These courses allow the professional to build on the knowledge areas presented in the foundation courses. The result is a complete program that prepares the learner to make management decisions based on current knowledge and practices. The learner is provided the opportunity to focus their skill enhancement courses in a particular area of business administration practice. Five courses from those offered in any area of specialization may be substituted for the normal skill enhancement courses.

Executive Management Program

This program is designed to provide senior management business administration professionals with an outstanding program that is focused on developing the skills required to face the challenges presented in today's business environment. The program begins with five foundation courses. The foundation courses sharpen skills that are needed by an executive performing in a senior management position. Five skill enhancement courses complete the program by focusing attention on issues that broaden the perspective of the professional. As in the Master Management Program, the learner may substitute five courses in an area of specialization. The ability to concentrate your studies in one area of specialization helps the learner fully develop the skills that they need as a professional leading a successful organization.



Learning/Living Management Programs

Purpose: Enable employees to develop the management and operational skills that will be needed to lead, manage and participate in organizations that will survive in the competitive global business environment of the 21st century.

Programs Provided: Learning/Living Management Practices Program
Position Qualification Program

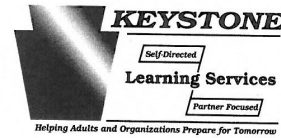
Summary Description: Our Learning/Living Management Practices Program is custom designed for each organization. The multi-level program structure provides courses that meet the needs of individuals working at different levels within the organization. Our focus is on the three key elements of understanding, performance, and activity-focused skill enhancement. Position Qualification Programs are designed by working closely with senior management to determine what skills are necessary for an individual to qualify for a certain position. Program content is determined by selecting courses that will help the employee develop the skill level required for outstanding performance in that position.

Learning/Living Organization Programs

Purpose: Provide senior management and other leaders with the skills necessary to lead a learning/living organization that is capable of out-performing organizations that use a traditional management structure.

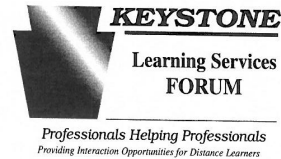
Programs Provided: Learning/Living Organization Practices Program
Learning Center Administrator Certification Program
Manager and Team Leader "Key Concepts" Program

Summary Description: These programs are designed to provide senior level management and other leaders with an understanding of learning/living organization concepts and prepare them to lead such an organization in today's competitive business environment. These programs increase skills in areas where learning/living organization concepts must be put into practice in order to move the organization forward.



Custom Program Center

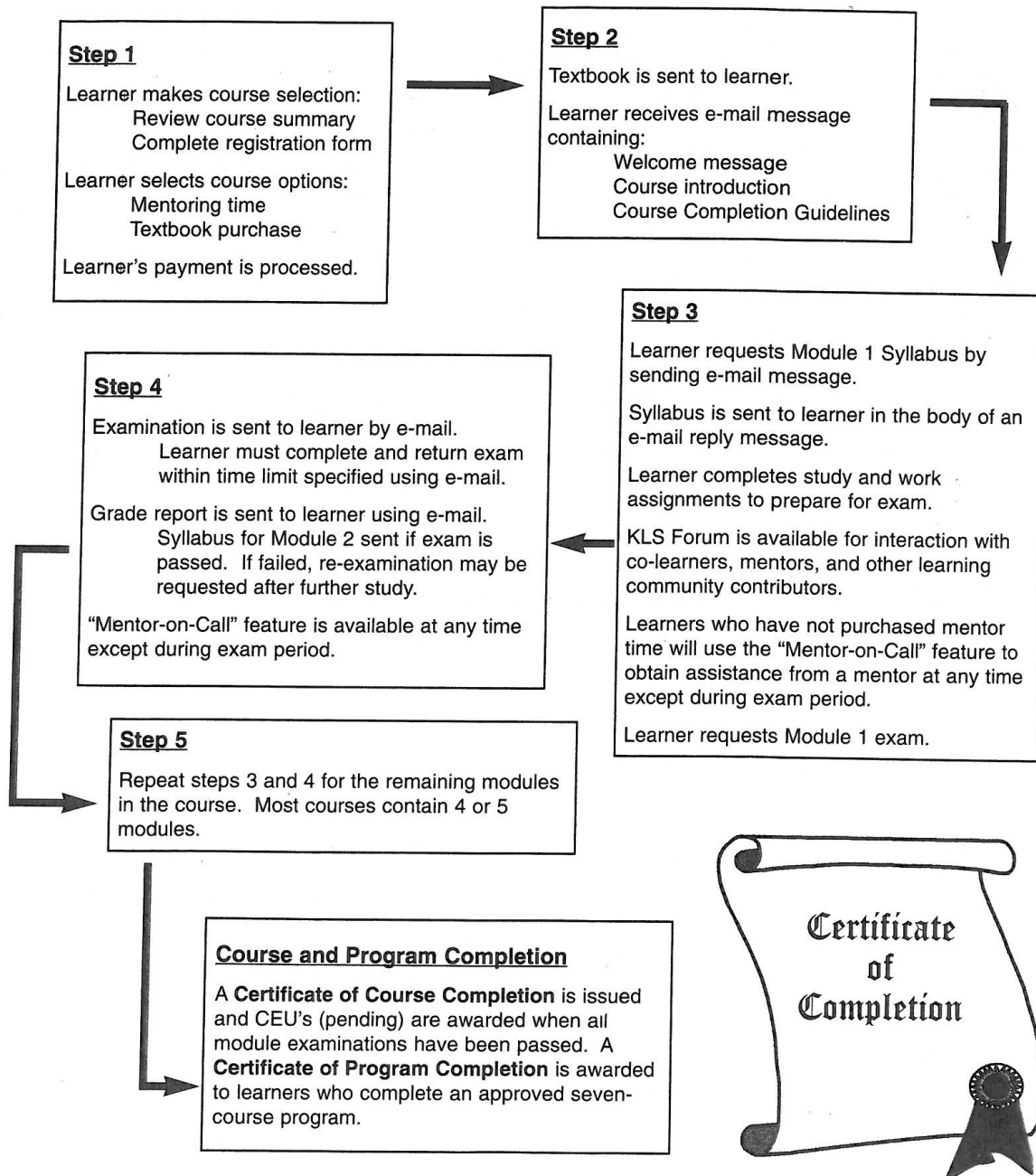
The learning organization concept tells us that comprehensive training and development programs that prepare employees to meet new challenges on a daily basis must be available to all employees of companies that want to remain competitive in today's global business environment. Many programs available to businesses today are quick fix programs that do not address specific job requirements. The Custom Program Center is used to provide modular Internet based programs developed by working closely with senior management that contain the exact courses that are needed. We place these courses in libraries and make them available through our web site. They can be based on textbooks or company specific material. E-mail is used to receive instructions for each module and to take module exams. Mentoring time is available on a per-hour basis. This feature enables us to place the power of large corporate training programs in the hands of smaller sized businesses.



Keystone Forums

Using our forum services is an efficient and cost effective way to provide interaction for company training programs or other purposes. The use of a bulletin board style system permits multiple topics and moderators. Employee moderators can present company specific material to participants at multiple locations. We establish the forum on our web site, which allows access either through the Internet or a direct link from the organization's web site. A monthly fee is charged for maintenance and administration services. Keystone can provide course design assistance and guest participant services on a per hour fee basis. Forum sessions bring the course material alive as learners interact with others in the exchange of ideas and experiences.

Appendix B
Cost Effectiveness and Completion Process
Five Step Course Completion Process
For “Keystone” Self-Directed Learning Courses



Cost Effectiveness of Keystone Programs

Comparison of the cost of Keystone's programs with seminars provided by the American Management Association shows that cost savings of hundreds of dollars can be achieved by selecting our programs. Please check our web site at www.keystonebai.com for the latest numbers. The amount of the check is only the tip of the iceberg because the **total cost for the AMA seminar must also include the cost of transportation, lodging, food, and the cost of the employee's time for the number of days they are away attending the seminar.** Are there any other important differences? You bet there are.

Advantages Offered by the Keystone Course when compared to the AMA Seminar

1. An individual attending a **two-day** seminar would have approximately 11 hours of contact time with the presenter(s) **as a member of the group**. The Keystone course with additional mentoring time provides 11 hours of **person-to-person** contact with a highly qualified mentor over an **eight-week** period. This provides the learner with an opportunity for reflection and further discussion with the mentor on important issues.
2. At the seminar, the employee is a **face in the crowd**. As a learner in a Keystone course, the employee is an important person who is getting the **personal attention** of a highly qualified mentor. In addition, the **Keystone Forum** encourages interaction between co-learners, mentors, and other members of our learning community.
3. Many seminars present **material that is broad in scope**. Responses to specific questions are limited and usually do not provide an opportunity to explore circumstances in detail. The Keystone course permits the student to **explore specific work related situations** in detail with a professional who has "been there, done that".
3. The seminar is based on **prepared materials** while the Keystone course is based on an **academically structured Learner/Mentor Interaction Plan** using a current graduate level textbook from a major collegiate publisher.
5. **Presentations at seminars usually address issues in general terms**, lacking focus on practical application in a specific work situation. **The Keystone course permits a focus on the practical aspects of application, permitting the student and mentor to discuss situations that relate to the student's actual work experience.**
6. **The seminar requires the employee to spend days away from work while the Keystone course permits the employee to study and work with the mentor during non-work hours.**

This list could go on and on but I think that the point has been made. While the Keystone course represents a significant cost saving, the benefits only begin there. The real value comes from the perspective and understanding that the learner acquires by working with the mentor. There can be no doubt that the Keystone course represents not only the better value but a learning experience that produces an employee who is better prepared to meet the challenges of today's competitive business environment.

TEACHING NOTE**Keystone business administration institute: A case study in failed entrepreneurship**

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CASE OVERVIEW

This descriptive case study reflects a real entrepreneurial business in which the author was a partner for several years. Keystone Business Administration Institute (Keystone) endeavored to provide continuing college and graduate type business programs and courses to small and mid-sized for-profit and nonprofit organizations. The Keystone model employed highly qualified, advanced-degree faculty members with real-world business experience working one-on-one to provide learners with perspectives and comprehension to assist them in dealing with the challenges of the business world.

Keystone provided a significant number of self-directed distance learning programs using a modular Internet format with mentor assistance. Students were able to take programs and courses in Economics, Human Resources, Ethics, Marketing, Financial Operations, TQM, Strategic management, Global Business, Leadership, and Organizational Behavior, among others.

While Keystone anticipated the future explosion of higher education into online programs and degrees, it struggled to raise capital and market its programs from the very outset. After six years of marketing its programs throughout New York and the Mid-Atlantic States, the principals now faced well-funded growing competition. More established colleges and universities discovered that distance education provided a new revenue source. The establishment of two online educational behemoths, Kaplan College and the University of Phoenix, doomed the shaky Keystone venture even further. The increased competition, limited market and client base, and lack of capitalization spelled the end; Keystone Business Administration Institute ceased operations and became another statistic of a failed entrepreneurial venture.

RESEARCH METHOD

Keystone Business Administration Institute was a real company that existed for over six years. The case is based on the author's experiences and involvement in the firm as a principal for five years. The firm's name remains unchanged; however, the names of the principals have all been disguised. Additional information in the case and study questions were obtained from secondary sources.

LEARNING OUTCOMES

After completing this assignment, students should be able to:

1. Evaluate if a new business is an entrepreneurial venture.
2. Analyze the marketing strategy of an entrepreneurial venture.
3. Summarize the facts and make a connection to a current entrepreneurial market while evaluating human input, financial/capital, and marketing aspects needed to support a successful entrepreneurial venture.
4. Reflect on learned material and recommend how entrepreneurs can avoid or overcome these difficulties in establishing their new venture.

APPLICATION

This case study is appropriate for use and discussion in undergraduate courses such as Entrepreneurship, Small Business Management, Fundamentals of Marketing, Management and Introduction to Business

STUDY QUESTIONS

1. Does Keystone Business Administration Institute qualify as an entrepreneurial venture? (LO1)
2. Who was Keystone's target market? What was their marketing plan? How did their marketing plan work? (LO2)
3. Keystone suffered from several problems that seemed to doom its chance for success. Identify these problems and discuss how entrepreneurs can avoid or overcome these difficulties when establishing their new ventures. (LO3)
4. What recommendations would you make to Keystone's management team that would have helped the venture to better ensure its success? (LO4)

RESPONSES TO DISCUSSION QUESTIONS

1. Does Keystone Business Administration Institute qualify as an entrepreneurial venture? (LO1)

An A student's answer would start by defining an entrepreneurial venture, differentiating it from a small business, and showing the Keystone Business Administration Institute (Keystone) characteristics that match an entrepreneurial venture. Risk-taking is often identified as the significant difference between an entrepreneurial venture and a new small business. However, on average, 50% of all new businesses fail in the first five years (SBA). It is empirically incorrect to make that distinction. The characteristic that summarizes the significant difference between an entrepreneurial venture and a new small business is innovation. Joseph Schumpeter identified five broad categories of entrepreneurial innovation in 1934 (Carland et al., 2007). They are:

1. Introduction of new goods (and services)
2. Introduction of new methods of production
3. Opening of new markets

4. Opening of new sources of supply
5. Industrial reorganization

Keystone exemplified the first four categories and was at the beginning of the fifth. It clearly qualifies as an entrepreneurial venture. Keystone's goal of educating workers on the principles of management and best business practices was not a new service. The new product Keystone introduced was online courses and programs that could complete in the client's own time and schedules in conjunction with highly qualified mentors and an educational partnership in a living/learning educational approach. When Keystone started in 2007, less than 15% of college students were enrolled in online courses. The founder of Keystone, Dr. Rob McDonald Jr., and his partners, John McPhee and Dr. Bob Brown set up a distance learning organization instead of a traditional educational organization that moves into this area. They provided their clients with a broad network of educator-mentors who were senior-level management professionals with advanced degrees. Furthermore, the partners envisioned going beyond individual courses and seminars and providing in-house corporate development programs and professional forums. Keystone introduced new methods in the production of education, training, and professional development. In 2007, internet tools and applications were being developed to share information and greater communications. These tools and the learning platforms they incorporated changed how education and training could be produced. The partners at Keystone used these innovations to build and deliver their services. They anticipated that this new method of producing education would allow them to continuously develop and design new programs to meet clients' new needs.

The Keystone partners recognized the growing managerial and administrative workforce as a new market for education, training, and professional development services. The U.S. workforce engaged in professional and business services was increasing. Keystone opened a new market by targeting small nonprofit and government organizations as an underserved segment of the service sector.

These small nonprofit and government organizations had a growing need for degree and certificate programs. More importantly, they needed a partner who could supply training and professional development services tailored to the organization's needs. The innovative aspect of Keystone's services was that they could offer a new supply of training and courses supervised by a network of 40 U.S. and international-based educator-mentors who were senior-level management professionals with advanced degrees, including doctorates from prestigious universities.

2. Who was Keystone's target market? What was their marketing plan? How did their marketing plan work? (LO2)

Target Market

Selecting a target market is essential to any marketing strategy's success (Kerin, 2018). In the early 2000s, the U.S. workforce engaged in professional and business services was increasing. Dr. Rob McDonald Jr., John McPhee, and Dr. Bob Brown recognized the growing customer need for professional business skills. Soon, they became partners in a new business, Keystone Business Administration Institute. Keystone's target market was

small to mid-sized nonprofits and for-profit organizations whose personnel lacked basic business skills or needed to refine their dated business skills.

Marketing Plan

The first step in a marketing plan would be to design a product that satisfies customer needs (Armstrong and Kotler, 2020). The Keystone partners had a clear vision of how their business should operate; they choose to follow a diversification marketing strategy of developing new customer-driven products and selling them in a new marketplace, the world wide web (Kerin, 2018). Being experts in the education field, they created unique professional development module courses and programs that deliver fundamental business concepts and practices and executive management level skills.

The next step was to address the second criterion of a marketing strategy - the cost. Keystone programs addressed this task in several ways. The company charged a lower price than similar products on the market at that time (Rohm, Stefl & Saint, 2019). The Keystone's programs' price was 23 to 33.3% lower than the American Management Association and the American Marketing Association programs. The partners offered firms the opportunity to acquire these needed skills without returning to a formal costly educational setting. Precisely, they offered them programs focused on the practical application of these skills. In addition, they extended additional attractive value by including mentor support and interaction in an ongoing business relationship with the client organizations, which was not part of the two associations' products. Therefore, the company did everything to make their product appealing and affordable for prospective clients to satisfy their needs.

One of the fundamental principles of Keystone's marketing strategy was capturing customer value while building a long-term relationship (Armstrong and Kotler, 2020). The partners designed their company as a distance learning organization that would become an educational partner with its client organizations in a living/learning educational approach. Furthermore, the company provided flexibility to revise educational programs in accordance with the current market needs. This element of their product would be crucial since, as educators, they knew that professional and business services were bound to be impacted by the changing technology available to businesses and that there would be a continued need for training.

Keystone effectively worked on developing a business-to-business marketing strategy. Keystone's programs addressed new task situations arising in mid-sized firms, emphasizing private and public nonprofit service organizations. To be successful, Keystone needed to fully understand the buying centers of these organizations and direct their marketing to the influencers and buyers (Armstrong and Kotler, 2020).

How marketing plans work

Keystone created a corporate website and listed its web address on its marketing materials. The website was intended to be a venue where businesses could inquire about Keystone's services. The Keystone principles would follow up with detailed information about Keystone's products and its living/learning educational approach. At the time, the practice of surfing the web for products and solutions to problems was not as natural as it

is today. Only a few of the inquiries received through Keystone's website were from businesses.

Unable to attract sufficient clients through its website, Keystone's marketing communication strategy focused on personal selling by the partners and making presentations to professional service organizations such as Rotary International, Kiwanis, and non-profit and government management organizations. By directing its efforts in this way, its audience was not necessarily the people who would most recognize Keystone's services' value. The people at a Rotary lunch or the management of a local school system would mainly be successful, well established, and well versed in the knowledge and skills covered in Keystone courses. They may recognize others' growing needs in their organizations, but they are more likely to be satisfied with the other methods of acquiring those skills. After all, it worked for them. When the Keystone program was launched, the people who attended these events were likely to be unfamiliar with the internet and how its applications could make Keystone's products more valuable than those already available. Therefore, Keystone's marketing communication strategy should have narrowed its target market to these firms' human resource departments. Finding this market would require changing the perspective of the principles and research. A traditional approach would have been to organizations that communicated with new businesses, such as the local Chamber of Commerce, state and local economic development departments, and community colleges. These groups would be interested in arranging for Keystone to give a free educational presentation about the need for training and professional development and to explain how small organizations could outsource this part of their business to firms specializing in a living/learning educational approach. This educational approach was more efficient and beneficial when coupled with the internet. Keystone would contact organizations looking for them and be more likely to recognize Keystone's products' value by doing these presentations. A less traditional approach at the time would be to find public and private nonprofit organizations with a presence on the internet. These organizations would be more likely to recognize Keystone as an innovator and offer more value than those offered training and professional development that did not use the internet.

3. Keystone suffered from several problems that seemed to doom its chance for success. Identify these problems and explain how entrepreneurs can avoid or overcome these difficulties in establishing their new venture. (LO3)

In his famous classic novel "Anna Karenina," Leo Tolstoy said: "Happy families are all alike, every unhappy family is unhappy in its own way" (Tolstoy, 2019. p.1). This concept can apply to other aspects of life. For instance, one can say that many successful business stories have a lot in common, but each breakdown is unique. There are many great narratives that exist about innovative entrepreneurs and successful cutting-edge businesses. Commonly, those stories are presented as something that was justified by their happy-ending, something that was meant to be.

Keystone Business Administration Institute offered a partnership to specific organizations proposing to create uniquely shaped institutional living/learning programs. Focusing on limited client-business relationships made the Keystone very dependable on

changing needs of particular corporations. The majority of firms approached welcomed the idea of developing educational programs dedicated to their needs and would engage in initial negotiations. Yet, they were hesitant to invest sufficient funds to continue employee education. In their eyes, continuing education programs were not an essential segment of their business. Keystone needed to rethink changes to its business strategy. Experts suggest that any company should create and follow a Business Process Management lifecycle that consists of five steps such as modeling, implementation, execution, monitoring, and optimization. Keystone could greatly benefit from such optimization. Some radical adjustments to its original strategy were required while leaving the basic operational principles untouched. Then it was time for a new marketing plan, as discussed in the second question of the case study. Therefore, the company should consider expanding its list of prospective clients. For instance, the partners could succeed in offering their service to nonprofit organizations such as trading institutions that use a one-size-fits-all educational model requiring less effort, time, and money. The company should have applied more flexibility in shaping strategy, taking risks, and exploring new avenues.

The idea of distance learning was innovative and promising. It required a constant investment of a significant amount of resources, and the partners were willing to deal with this challenge. While the program's initial enthusiasm carried partners for a long time, they were losing a clear vision of their direction. They found themselves caught in the financial loop; they kept investing more personal funds in the hope of turning a profit in the near future. The Keystone experience once again pointed out the importance of entering a new venture with a solid business proposal and plan and adequate financial funding.

The Keystone's educational model was sophisticated enough to take the educational system of that time to the next level. The way society addressed challenges during a global pandemic fully justified the effectiveness of the concept initiated by Keystone. Keystone's idea of distance learning had great potential but required a significant amount of investment in capital and human resources. As previously discussed, the funds were limited. Furthermore, there was a shortage in human resources as well. Two of the partners held full-time jobs outside the company and could invest only limited time in the Keystone project. The firm employed highly qualified faculty members to work with learners. However, it was a misstep not to hire program consultants; highly skilled admission personnel to help perform recruiting duties (Decenzo et al., 2016). Instead, they solely relied on themselves and failed to expand their circle. Their friendship naturally created a formal bond and interest-working group "organized around a common activity or interest" (Griffin and Moorhead, 2014).

The Keystone partners had the courage to act as very innovative educational experts and progressive entrepreneurs. Operating in a growing, competitive market, the partners methodically invested great amounts of effort, time, energy, and personal funds. They did have a great deal of persistence to overcome a myriad of obstacles and kept going for the period of over six years. If society in the United States had some sort of central-regulated educational system, the Keystone Business Administration Institute had the chance to gain recognition and support in the educational world as a leader and innovator in educational delivery methodology and even, be recognized as one of the early pioneers in

distance education. Instead, it served as a model of yet another firm with a unique business model and plan, which became a statistic of a failed entrepreneurial venture.

4. What recommendations would you make to Keystone's management team that would have helped the venture to better ensure its success? (LO4)

Entrepreneurs have both a passion and deep love for what they do. They tend to keep going, investing their time, hard work, and finances into the venture no matter how many obstacles are faced. Keystone's small management team had the love, dedication, passion, and willingness to work hard to see the venture's success. Yet, Keystone Business Administration Institute faced a number of obstacles that conspired to blunt its success. Students are asked in this question to understand the difficulties encountered by entrepreneurs and then to suggest a suitable plan of action and recommendations to help Keystone's management team overcome the obstacles they encountered in their new venture.

Students may offer a number of suggestions based upon their study of business and entrepreneurship, which may include several of the following: Remain passionate about the venture, reach out and build relationships, continue to be resilient and flexible, be focused on your venture's business model, rethink your marketing and sales strategies and seek out additional investors.

- **Be passionate about your venture** - continue to work hard, be passionate, and be willing to make the necessary sacrifices to be successful in your venture. The management team must remain focused on the venture's goals but be open to innovation and needed change. Keystone tried to be all things to all potential customers, which may have been unrealistic and required rethinking. While it remains important to love the business idea or concept, the management team should not lose sight of the problems it sought to help its customers solve, i.e., providing business skills to help the organization better compete in the fast-changing global environment.
- **Build relationships** - businesses should never stop building beneficial relationships with other people and firms in their respective industries. Network, make friends, and avoid viewing other businesses in the industry as mere competitors. It is important to create relationships with other professionals who can act as potential mentors and coaches to help the business to diagnose problems and offer constructive advice on how to deal with them. A strong network of fellow entrepreneurs and professionals can help ease the Keystone management team's feeling of isolation in dealing with challenges and problems facing the venture.
- **Remain resilient and flexible** - the Keystone management team must be open to the reality that the venture will suffer setbacks and that the journey to success and profitability is often a long journey. Creating a new business venture remains hard work and is time consuming; the management team must learn to be persistent, patient, flexible, and adaptable to challenges faced along the journey. Keystone's small

management team should surround itself with additional creative and innovative team members and mentors who have a passion for the venture's goals but also can offer new insights and varied views and opinions that can be beneficial to Keystone's long-term success.

- **Concentrate on the Keystone business model** - Keystone's management should remain focused on its key business concept found in its business model. However, having this great concept, model, and plan is no guarantee of success. The management team should embrace the possible need to revamp its model and take the risk necessary to build a successful business. Keystone's management team might wish to ask the following questions: Should Keystone's management remain so focused upon the novelty of its concept that offered so many business programs at levels ranging from basic skills to mid-level management to executive level with such limited resources? On the other hand, should it have focused more on its consulting approach and developed programs to meet its clients' specific business needs?

Keystone needed to remain focused on its goals but at the same time be open to new ideas, approaches, and concepts to its business model. Blindly falling in love with the firm's concept and business model is often a formula for problems and future failure. Management needs to "think strategically about the big picture" (Robinson, 2023).

- **Marketing and sales** - to be successful, a business needs to get its product or service before the target market. Management needs to become proficient in its sales and marketing efforts and connect with the customers. Ultimately, the business needs to fulfill its customer's needs, wants, and desires. A robust marketing and sales campaign needs to be developed to employ a variety of tools that ensures the product or service created by the firm becomes known to the customers, meets their needs, and is one that they are willing to purchase.

Keystone's heavy reliance upon its website to convey its product and service to potential clients may have been too narrowly focused. The use of surveys, face-to-face interviews, and client feedback could have provided the management team with important decision-making information to help formulate a more effective marketing strategy. Additionally, Keystone's management and key mentors could create promotional videos for posting to the website, become more personally involved in attending professional events, and joining any number of professional service organizations such as Rotary International, Lions, and Kiwanis to assist the firm in getting its product out in front of potential customers (Robinson, 2023). Additionally, Keystone could identify and focus its marketing efforts in its target market area of the Atlantic seaboard on specific key prospects and make a mailing to them, including program brochures and a letter outlining the benefits of the firm's programs, and then initiate an aggressive follow-up telephone and in-person campaign.

Keystone also needed to focus on market research on what was occurring in online education, what new competitors were entering into the market, what new course and degree offerings were now available from the competition, and how the venture could improve the quality of its own product offerings.

- **Seek out investors** - nearly two-thirds of all new business ventures fail within 10 years; many fail due to being undercapitalized or their inability to sustain profitability. New business ventures need a solid financial foundation to provide cash flow and cover the business's expenses for a period of six months to one year. Insufficient capital and money problems are the quickest way for a new business venture to fail.

Keystone was plagued from the outset with limited capitalization, drawing its initial monies from the personal contributions of the venture's three partners. Subsequent monies were also contributed by the partners as well. Entrepreneurs and small business owners need to ability to raise capital from a variety of sources: venture, angels, private equity, banks, Small Business Administration, parents, siblings, and friends (key factors). Keystone's management team would have been better served had it sought outside financial assistance from several of the above reference sources to fund its operational and marketing activities. Moreover, it could also have sought out a suitable educational partner to invest in the business, which would have provided additional financial and management expertise support to the venture and allowed possible market and geographical expansion of its services.

General discussion

In analyzing this case study, students should have studied or should be studying categories of entrepreneurial innovation, small business management and the Business Process Management lifecycle. The instructor may use the case for further class discussions focused on examples of entrepreneurial enterprises, both large and small, that have proven successful, Apple, Microsoft, McDonald's, Whole Foods, Walmart, Facebook, etc. or have failed, Wang Laboratories, Circuit City, etc. and explore reasons for their success or failure.

The instructor may opt to assign student groups a short research project on such enterprises to analyze and evaluate what factors influenced those firms that became successful and what factors were involved that led to the failure of a selected firm.

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