Entrepreneurial Programs in FY’07: Review, Analysis and Forecast

Susan Harum, former Director of IRIS
Beth Sandore, AUL for Information Technology Planning & Policy

Entrepreneur: One who organizes, manages, and assumes the risks of a business or enterprise.

Executive Summary

Over the past three years the University Library has either launched or further developed several activities that fall loosely under the rubric of entrepreneurial programs. The Library is fortunate to have a number of creative individuals who have channeled their ingenuity into programs that have generated interest in Library services, and in some cases, services that generate revenue. Three services are fully self-supporting, and one generates sufficient revenues to supplement staffing for a large production unit (ILL/DD). This report constitutes a review of current activities that fall in the broad category of entrepreneurial programs, and an analysis of the current challenges to further development, with suggestions for strategic investment areas that can enhance the Library's efforts in this area.

In virtually all academic libraries that have entrepreneurial activities, no distinction exists between promotional and revenue-generating activities. This report recommends that the Library make a distinction between promotional and revenue-generation activities in order to focus needed, and in some cases different resources on each category of activity. Promotional activities have a different needs than revenue-generating start-ups with the potential for substantial expansion. All of these services could benefit from stronger marketing efforts focused on the individual products and services in order to stimulate expansion beyond the current, initial target audiences. The Library does not now provide this focused marketing support. At least two activities would benefit from a business plan, more concentrated direction from the Library Business Office, and marketing efforts above and beyond what the creators and the Library can now support. Recent interaction with the Academy for Entrepreneurial Leadership and the Illinois Business Council indicate that these groups could provide useful services for the Library.

There are three areas that require additional support: business operations, planning, and marketing. The need is not great, but it is greater than the Library can support right now in an incremental manner. The business needs include the enhancement of services that the Library Business Office now provides-- such as accounting, budget preparation, contract and agreement review and negotiation, invoicing, and receipt of funds. Simply put, the Library Business Office needs more staff in order to support these activities. While the current practice of each activity holding a ledger 3 account enables “owners” to realize the fruits of their labor, this practice prevents the Library from building more and greater collective benefits for all services through pooled revenues. Some balance is needed to ensure that there are adequate central support services for business ventures. Implementing a small and “graduated internal assessment” across ledger 3 accounts that bring in substantial revenues can at least partially address these central services needs. Finally, we recommend that the Library set up a more structured
process for the ongoing review of existing services, and establishment of new entrepreneurial and promotional activities that includes vetting with strategic priorities, and the development of a service rationale and sound business plan.

Review of Current Activities

Currently, only one of the entrepreneurial activities reviewed below has developed a business plan (IRIS), another is in the process of developing a plan (LibPrint). While none of these services has shown a sustained significant track record of increasing revenues within the past five years, several of them (ILL/DD, Archives, LibPrint) cover costs, and garner sufficient revenue to support additional needs because the “businesses” do not rely solely on revenue to support their operating expenses, with the exception of IRIS (i.e., they are subsidized by permanent Library staff or other resources). In these cases the revenue generated is viewed as supplemental to the operations. In the case of IRIS and ABSEES, the revenue generated is expected to support each operation. The Library also supports several promotional activities that sell merchandise and materials, but are not currently revenue generating.

Eight of the ten services listed here existed prior to the startup of entrepreneurial programs, including ILL/Document delivery, DSD digitization training and on-demand digitization, Archives reproduction, IRIS, ABSEES, LibPrint, and the annual Library book sale. For the first two years, efforts were focused on stabilizing and upgrading ABSEES and IRIS technical infrastructures, and starting up the Library Friends Book Nook and the Amazon Buy a Book service. The Book Nook was subsidized in FY’07 by student wages from Acquisitions. The Amazon service generates a modest amount of revenue, although that does not offset the hundreds of hours required of Library and University Legal Counsel to negotiate the contract.
Several interesting observations can be made about the development phases that each of these services has reached. First, many of them were developed to address a specific need and audience, and virtually all of them are still addressing the initial audience. The two exceptions to this pattern are the LibPrint service, which has expanded beyond the Library and is licensed by six other campus units, and the digitization and metadata training courses. Second, some of these services could expand beyond their current markets (LibPrint, IRIS, ILL/DD, book sales). In order to expand their markets, it would require some reasonable investment of time from the

---

1 ArchivesUser Service Orders account. This fund manages monies recieved fulfilling photocopy, scanning, and archives research orders. It funds student wages and outsourced work for film/video conversion, in response to user service requests.

2 Archival Services Account. This fund manages money held on deposit for associations whose archives are managed on a deposit basis, for example the North Central Assn, Natural Land Institute, and others. The money is used to support processing projects. The amounts in this account are tied to ACTY codes for each of the associations whose money we manage, so we can retain segregation of funds.

3 For the last couple fiscal years, the annual book sale has garnered the following in proceeds: FY06: about $11,000 brought in; about $10,500 spent on collections FY07: $11,210 brought in; little spent (being held for new AUL as a reserve should it be needed)
“owners” of the services to determine whether it is possible to expand into another market, and what resources would be required to market to the new audience, and what would be the risks. To this end, small group is currently investigating the potential and the cost of developing and marketing the LibPrint software to an audience outside the University. The work is slow-going because there is not yet a viable business plan in the offing. In all of these cases, more robust marketing support has the potential to help these services expand beyond their markets. While the current service creators do not possess the expertise or the time to engage in marketing, it would be worthwhile for the Library to seek some external marketing support, or to charge an area of the Library with pursuing targeted marketing to stimulate uptake of these services and enhanced revenues.

Another observation worth noting is that several of these services may generate sufficient revenues to help defray some of the additional cost of Library Business Office support for invoicing and taking in funds. The isolated way in which the revenues are currently tracked, however, prevents the Library from determining this, unless the balance in the account is consistently over six figures.

This report would not be complete without pointing out the fact that reproduction and use fees are neither collected nor used consistently across all units—an ongoing source of concern that is confusing to patrons and internally frustrating for staff who must work with patrons who request services from more than one unit. The original understanding was that the unit responsible for reproducing the material would collect the reproduction fee, and the use fee would accrue to the Collections budget to support the purchase of Library materials. This agreement is not followed in all cases. This is another instance where the Library Business Office is impacted by invoicing from multiple units using different rate schedules. The Library needs to offer a consistent service that operates across the units and collections Library-wide. In turn, the units holding the collections are concerned that they continue to receive revenues from materials in their collections that are reproduced. While these revenues may not be significant per unit, the units rely upon the revenues to support material and time costs, and to seed new services. This may be the right point to bring the stakeholders from the units involved together (RBML, Archives, DSD, Preservation, Digital Content Creation, etc.) to work out an equitable and reliable method of reimbursement and availability of funds from a shared pool.

Finally, we note that the above table may not represent all revenue-generating activities in the Library, which raises the fundamental question of what kind of guidelines the Library uses for revenue-generating activities across the board. Some activities have been in place for years, and some are just starting up. Some involve tacit understandings that form the basis of ongoing unit work, and some represent new directions in Library service. The intent of this report is to raise questions about our current disparate practices so that we can review them, and where it makes sense, either change them or re-affirm them.

**Future Forecast**

**The Future of IRIS**

In 2005 it became clear that IRIS in its current form was suffering from “salary creep”—revenues that were increasing at a declining rate, and salaries that were increasing. The Internal business model had not changed since the Library assumed responsibility for IRIS in 1993. The previous Director of the service started a much-needed technology upgrade in 2003, but the plan was not quick enough to capitalize on IRIS’ competitive
edge as an inexpensive but rich source of grant funding opportunities. In the mean time, the competition (COS, SPIN) developed more sophisticated technologies, and, in the case of SPIN, developed a comprehensive grants administration and tracking system around the SPIN database. In the mean time the federal government developed the grants.gov portal that provides federal grant information and also serves as the primary proposal submission point for federal agency grant proposals.

In spring 2007 Susan Harum engaged the Illinois Business Council to assist in the development of a forward-looking business plan for IRIS. The plan estimated the cost of upgrading the IRIS system, and analyzed the feasibility of garnering increased revenues based on the upgraded services, as well as marketing to new audiences (hospitals, large museums and archives, research institutes). The cost of doing this would be an additional $40,000-$50,000 that would need to be paid back by IRIS, pending the service’s ability to increase revenues by price increases and increasing the total number of subscribers. The Library is now in discussion with the Office of the Vice Chancellor for Research to pursue additional options for expanding the IRIS service that would not require Library funding. The latest revenue projection for IRIS is $202,000 in subscription monies for FY’08 (this is a decrease of approximately 12%) from FY’07. With Susan Harum’s shift out of the position (75%) and Kasia Hopkins taking on the role of Coordinator .5FTE, IRIS will have additional resources to support some development, but this is on hold while the OVCR explores other potential external investments. In the mean time, IRIS will seek to expand its market to additional markets such as large museums with research units, and large hospitals with research foundations.

The Future of ABSEES

The ABSEES (American Bibliography of Slavic and East European Studies) database was licensed exclusively to EBSCO in 2004 for a five-year term, at an annual payment of $45,000 plus 5% per annum to cover inflation. ABSEES currently employs Ms. Irene Kolchinsky, Managing Editor, as half-time academic hourly, a number of hourly graduate students who contribute indexing. Contributions are also made by several pro bono indexers at various institutions. The steering group for coverage and content focus is the AASS Bibliography Committee, ABSEES Subcommittee (American Association for Slavic Studies). Ms. Kolchinsky works closely with the ABSEES subcommittee to take input and suggestions for coverage enhancement. Within the past three years ABSEES has changed its coverage to adapt to the availability of federated searching across multiple databases. Whereas ABSEES formerly focused on covering everything published in North America across a broad category of Slavic materials, it has shifted its focus to concentrate on indexing more publications in the U.S. and Canada that are devoted to topics in Slavic studies, and has phased out its indexing of Slavic materials tracked in more mainstream publications (e.g., New York Times Book Review), using the rationale that these items will be picked up by searches of mainstream bibliographic databases.

Within the past year, ABSEES underwent a complete update and re-design of the underlying database structure, completed by Library IT. Although the Library does not deliver ABSEES, it continues to maintain the database as well as an interface for indexers to deposit records into the database.
Barriers to Successful Entrepreneurial Ventures

Most University academic units do not engage in revenue producing activities beyond the traditional practice of garnering tuition for courses taught. The Library has gained a foothold in developing revenue-generating activities, but it needs to concentrate on shaping the framework and shared vision to encourage entrepreneurialism in the areas where it makes the most sense to make strategic investments. There are still many questions that we need to sort through as an organization regarding the way in which we grow and manage entrepreneurial activities:

1. The current setup for entrepreneurial activities channels funds into separate accounts. The positive aspect of this arrangement is that in most cases this enables units to realize goals on an individual basis. The drawback is that it doesn't enable the Library to build a revenue pool to re-invest into strategic activities. Does the Library want to grow revenue funds that it can use flexibly to support current and future strategic development?
2. What is the defined set of guidelines for establishing and assessing the potential of entrepreneurial activities?
3. What are the strategic areas of opportunity or channels for encouraging faculty and staff to develop programs where there is potential for revenue based on the value capture from Library-specific products or services?
4. What kind of support can the Library provide to encourage these activities to move beyond the initial development phase?
5. How can the Library identify and better integrate marketing experience into entrepreneurial activities so that they grow beyond their initial market(s)?
6. How can the Library encourage the University to develop more effective and efficient structures to assist the Library in commerce-related ventures?

Sorting out Promotional from Entrepreneurial

The past three years' work in entrepreneurial activities has stimulated several positive promotional activities that are recognized beyond the Library, and it has helped the Library to better understand what it means to develop entrepreneurial activities. We don't yet have a culture of entrepreneurialism. The organization could benefit from sorting out up-front what are promotional (i.e., those that promote the visibility of the Library among various user groups, but do not have a business plan that forecasts revenues within five years) and what are entrepreneurial activities. Both types of activities are vital and relevant to the Library’s mission. The Library would benefit from delineating two types of activities: 1) promotional (i.e., cost recovery of not expected to generate revenue in five years); and 2) entrepreneurial (i.e., anticipated to produce revenues beyond costs). Activities such as the gift shop, and the reproduction of the bronze tablets are good examples of promotional activities that require start-up and likely consistent funding to supplement any production and staffing costs. These activities are useful extensions of the Library’s presence but it is not yet clear that they have the potential for generating revenue to cover costs of production or operation. We can call something truly entrepreneurial if there is a business plan that shows how we can generate revenue within a reasonable time frame (3-5 years) and if it does so. Projects that start as promotional could develop into entrepreneurial but there need to be benchmarks and a plan for evaluating projects to determine whether and when to phase them out if they require subsidy or to increase support if they show strong promise of revenue generation.
Support for Entrepreneurial Activities

Startup of entrepreneurial projects requires a foundation of several things: good, feasible ideas, a vetting process, continuous review and mentoring, a solid business plan, and funding, both seed money and sustained funding over a period of years. The Library also needs support in order to do the additional work created by taking in and tracking revenues, and invoicing for services and products. Currently the ways in which funds become available to faculty include seed money from ICR, unrestricted funds allocated by the University Librarian, grants, or the subsidy of a service through use of current personnel and resources from state funds. How do larger projects (IRIS repositioning, LibPrint commercialization) get off the ground? Where do the subsidies come from to continue promotional activities, and how does the Library determine when a promotional activity or an entrepreneurial activity has run its course?

A complex driver in this equation is revenue and its allocation. The current culture encourages a proprietary perspective toward the ownership of revenues in ledger 3 accounts. To a large degree, this is a positive motivator for the service "owner." Currently, revenue generated by ledger 3 accounts helps pay for additional staff within individual units. In the case of the Archon digital finding aid software, the funds to develop Archon were generated by the Archives reproduction service revenues. In the case of the reproduction fees, the unit doing the reproduction recoups these costs while the use fees and channeled to Collections. While this money helps recover the costs of the service and stimulates some local development, the resource outlay from support units like the Library Business Office is not being compensated. With tight staffing levels it is impossible for many support units to assume this incremental workload. One way to recoup some of this loss would be to collect a percentage from the ledger 3 accounts that carry a significant balance (Such as LibPrint) in order to contribute to a central account from which individuals could apply for startup costs. Most activities do not generate sufficient revenue to support an internal assessment, and some are revenue-neutral, and would need to re-structure their production in order to pay an internal assessment to this end. For this reason it would be difficult to impose an assessment on ledger 3 accounts at the same level across the board.

The Library should foster a shared sense of both the development of an entrepreneurial endeavor and the distribution of any revenue resulting from the project. To encourage the development of revenue generating projects, a system should be set in place to reward those individuals whose start ups are successful and generate a minimum amount of revenue. One way to encourage responsible management of entrepreneurial endeavors is to involve entrepreneurs in their own budget planning, but also in decision-making about what projects are funded by startup funds. ICR grant money could also be set aside for start up funds, (for both promotional as well as entrepreneurial projects) in addition to its current use as seed money for development projects. The Library should actively work towards sharing information regarding its entrepreneurial projects as well as how the money is spent within the Library to the benefit of all.

Future entrepreneurial projects need expertise to produce and implement a marketing plan. The Library could begin by working with Illinois Business Consulting, within the College of Business, with an eye towards eventually supporting someone with marketing experience, perhaps in the development office. In addition to marketing, traditional staffing models should be taken into account. Some compromise must be made
between the current policy for terminal contracts and the need for flexible staffing so that entrepreneurial projects have the ability to react to new technologies and changes in the marketplace.

The University is not well-structured to assist the Library in commerce-related ventures. The University must approve all revenue-generating activities, which sets the bar high for the initial entrée into the ring. With the current campus focus on fostering entrepreneurial growth, we are hopeful that some of the current barriers to transacting business will eventually be lowered. The Business Office does not have the support staff to take care of the additional work required to track accounts and taxes. Rod Allen estimates that the business office would need at least one FTE just to manage sales tax issues for online sales, which include our more valuable donated books, and reproductions of collections such as cards and posters. The University is also not flexible enough for changes in commercial contracts. The Library was able to partner with Amazon through an alumnus who convinced Amazon to change the terms of the contract. The Development Office was unable to find an alumnus at Alibris to assist us in the same manner and the Library legal and accounting staff was unable to accommodate changes in legal documents. With the hiring of a new Copyright and Intellectual Property Attorney, the Library may be better equipped to manage the startup negotiations without complete reliance on campus Legal Counsel.

Future Directions

To develop entrepreneurial activities, the Library should look towards leveraging its expertise in Information Science-related activities, such as database and interface design, digital preservation services, metadata and content aggregation and mining services. Training in best practices for digitizing and metadata, curating data from private companies or other departments (such as Astronomy), federating repositories, as well as usability studies and focus groups (acting as consultants or working as partners to implement these things). Activities could first be focused on the UIUC campus, rather than branched out to other institutions (using the IRIS model). Modular services or modular instruction units could be a place to begin without a large investment of revenue.

Additional Recommendations

1. Revenue generating activities need to be tracked as an entity on a regular basis: The Library Business Office should consolidate ledger 3 accounts into 1 spreadsheet that is generated monthly and distributed to the University Librarian and the AUL for IT, and to the Executive Committee and the Budget Group on a quarterly basis. Analysis of the ledger 3 account activity will help in identifying what has current momentum, what has the potential for further development, and what are the areas where there is little or no activity. Regular review of the funds and planning for the future can promote institutional discussion of and agreement on what these funds should support.

2. Marketing is key: Identify someone with marketing experience (either in-house or externally contracted) to help promote the actual revenue ventures, to keep current projects on track and to work with faculty to develop realistic business plans.
3. Need business plans: Those who undertake entrepreneurial activities should be prepared to submit business plans, with the expectation that they should be revenue generating within 3-5 years.