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- Online education is a high-risk venture ... but the potential for profit is there.
- What we can learn from the virtuals are lessons about the unbundling of educational services, about the continued viability of the 'full-service' organisation that was the traditional university, about outsourcing infrastructure and facilities.
- The corporates' education methods are sophisticated and professional. They situate face-to-face 'learning events', centrally-developed as core curriculum, between online activities, and their staff are education professionals supported by outstanding facilities.
- In 2000, the real breach of borders is occurring between universities and corporations, between training and education, between universities and vocational colleges, between on-campus and off-campus learning experiences.

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The Business of Borderless Education in Brief

This paper is based on the EIP Business of Borderless Education project report. The research team consisted of Prof. Stuart Cunningham as Project Leader, Dr Yoni Ryan, Dr Lawrence Stedman, Ms Suellen Tapsall (now Murdoch University), Mr Terry Flew, Ms Kerry Bagdon, and Prof. Peter Coaldrake

This study was commissioned by DETYA to provide 'market intelligence' on the practices and success of corporate, virtual and for-profit universities in the US. As such, it examined those institutions with the capacity to expand their education and training activities globally, and hence enter the domestic markets of other countries. The matter is critical of course to the university sector in Australia because government funding of higher education has declined, and consequently university revenue is increasingly dependent on domestic fee-paying courses and international students, who may be tempted to stay in-country and gain their education through online courses.

Corporate universities were seen as a major focus of the study because as global entities, with established telecommunications infrastructures,

an avowed interest in retaining a highly skilled workforce with frequent re-training needs, and an expressed dissatisfaction with the skills produced by the formal education sector, they appeared well-placed to challenge the hegemony of existing education institutions. The '**virtuals**' were and still are perceived as the greatest potential threat in an environment of e-mania, as part of a new educational system built not on bricks and mortar but on the electronic distribution of 'star professors' reaching hundreds of thousands of students worldwide studying Physics 1. The **for-profits**, particularly the University of Phoenix, were seen as aggressive global players.

We chose to undertake in-depth case studies of nine exemplars, including the US Air Force and Army, because both those public institutions have huge training budgets and in one sense parallel the public university sector in their dependence on government funding, because their 'staff' are highly mobile and global, and because both have committed heavily to electronically-delivered education. Our case studies comprise Ford, Arthur Andersen Performance

and Learning, McDonald's and Microsoft as corporate universities, the University of Phoenix, DeVry/Keller Graduate School of Management and Sylvan/Caliber as for-profits, and Air Force and Army. We also interviewed a wide range of representatives of auxiliary organisations, other corporates including Motorola University and Disney Institute, regulatory and government organisations such as the State Higher Education Executive Officers and the Council of Higher Education Associations, virtual organisations such as Western Governors and National Technological University, service organisations such as Corporate University Xchange, and corporatised arms of established universities such as New York University Online.

What is the market saying and doing in this new business of borderless education?

Our first lesson is 'be sceptical of media hype' in pronouncements about 'World U Online'. They are as unproven as the profits of most dot.com companies.

This is not, however, to say 'relax; it's business as usual'. While the for-profits at present constitute only 2 percent of degree enrolments in the US, that percentage will grow. While publicly-listed educational services companies constitute only 3 percent by value of the billions of dollars spent on education and training in the US, this percentage is also growing.

What can we learn from the corporates? First, that their existence is greatly exaggerated. Far from the 1600 figure that is widely quoted, the majority are 're-badged' Human Relations/training units with a strong marketing focus. Some are merely orientation programmes for new staff, like 'Suits U', which constitutes a five-day 'boot camp experience' for a menswear company in California. Perhaps 200 are serious about anchoring their education policies and practices at the core of their business plans. Those organisations that **are** dedicated to training as critical to core business admit that their education activities are fragmented because of geographical and cultural divisions, business product fractures, and the practical difficulties of shifting established work/learning cultures. They are embracing online training enthusiastically because of the 15-50 percent savings to be made in lower travel/per diem costs, not because the **development** costs are lower; in fact, they admit development costs are higher for online materials. They also make savings because in many cases, like FORDSTAR, they are able to 'piggyback' education activities on existing infrastructure, such as a satellite system, required for data and company communication. They acknowledge that the best use of online training is for Just-In-Time training, on-demand and desktop delivered, and that staff are resisting losing face-to-face training, particularly in the 'soft skills' (teaming, communication, problem-solving, networking) critical to the new business world. The pull of the physical campus—Hamburger U and AAPL's Centre near Chicago—remains strong to a worldwide workforce. The corporates' education methods are sophisticated

and professional. They situate face-to-face 'learning events', centrally-developed as core curriculum, between online activities, and their staff are education professionals supported by outstanding facilities. They are 'selling' the virtues of lifelong learning to their workforce; they are closely attuned to the needs of their audience.

What can we learn from the virtual universities?

Online education is a high-risk venture. California Virtual University fell over in mid-1999; Western Governors University, with business plans of 10,000 students at the end of six months, attracted less than 100 students in its first months because its competency-based approach is too radical; its staff say 'we're so bleeding edge we're haemorrhaging'. The University of Phoenix is often touted as a virtual, but its business model is predicated on a distributed campus model, and its online courses constitute about 10 percent of its enrolments, although this is a fast-growing segment of its market. New York University Online's then President Dean Heeger, said 'no one's making any money out of this'. But the **potential** for profit is there. The virtuals operate with a restricted curriculum in high-demand vocationally-oriented courses. For those such as Western Governors and Michigan Virtual University which seek to operate as brokers of other institutions' offerings, the difficulty is what they can 'value-add' when most traditional universities are themselves entering the distance education market in a big way, and when the majority of students

Figure 1 Traditional and non-traditional university level providers

Traditional

Characteristics

The university exists for the personal development and professional preparation of students; conservation, dissemination and extension of the discipline; and for social and intellectual critique

'Full service organisation'; single campus, residential or commuter

Autonomous faculties

Selective

Comprehensive curriculum

Accreditation

Student issues

Students as apprentices, though increasingly learner-earners, mostly school leavers, with large public subsidy

Staff issues

Academic staff are full-time teacher-researchers, career academics

General staff are specialist administrators or librarians

Integration of teaching process—teacher is curriculum developer, teacher, advisor, assessor

Learning

Just-in-case; just because

Set-time course

Large scale teaching at undergraduate level

Theoretical

Vocational preparation

Non-traditional

Characteristics

The university exists as a business for the professional and vocational education and training of its customers

Disaggregated service/support functions; distributed in small multiple campuses or electronically

Managed functions

Mass

Specialised curriculum

Accreditation

Students as customers, earner-learners, mostly mature age, paying full fees

Staff are practitioner-teachers, part-time, career professionals in other fields

General staff are administrators, marketers, advisors OR involved in the teaching/learning process, including online designers and librarians (if employed at all under disaggregated model)

Disaggregation of the teaching process - separate centralised curriculum developers, teachers, advisors, markers

Just-in-time

Exemptions for prior learning, including work experience

Intensive small class teaching

Practical

Lifelong learning

Note: Contemporary universities may be anywhere along a continuum between these poles, and the same university may be at different points in any field. **3**

enrolled as distance students in the US are on-campus students seeking to fast-track their programs. Enrolment patterns in the University of Phoenix online programs indicate that e-education is a niche market for above-average income mobile professionals already attuned to a net-world.

What we can learn from the virtuals are lessons about the unbundling of educational services, about the continued viability of the 'full-service' organisation that was the traditional university, about outsourcing infrastructure and facilities. These are lessons to which I'll return in considering the for-profit sector.

For profit

What might we learn from the for-profits? (I leave aside for the moment the question of whether the lessons are either palatable or applicable to the traditional university.) Two years ago in *New media and borderless education*, the QUT team argued that the media and telcos were unlikely to become involved directly in education because 'there is no money in education'. We would now argue that that is only true if we conceive of an educational institution as a 'full service'/comprehensive organisation. Indeed a plethora of educational services companies has emerged alongside media companies to pitch for the educational dollar by offering auxiliary services such as IT infrastructure and carriage.

The for-profits make money from offering a restricted vocationally-oriented curriculum which focusses on the principle of immediate

application: 'learn tonight, apply tomorrow' in your day job, and an emphasis on the soft skills necessary in business. Management, IT, Business Communication, Project Management, Engineering, and in some states where there are particular shortages, Nursing and Teacher Education, are prime targets. DeVry and University of Phoenix operate on a 'convenience model' of locally distributed education, using rented office space in industrial parks and office blocks, with limited physical facilities, limited library resources, and almost nonexistent computer labs, because home ownership of computers is presumed. They do no research, nor community service. They use a centrally developed curriculum which teachers follow as a script, sometimes referred to as 'prepackaged' or 'cookie-cutter'. They use part-time casual staff who are practising professionals in their teaching fields, who bring real experience, not theory, to students. They insist on some teacher training as preparation for the teaching role. They insist on student evaluation of the teaching process, and they act on the results. They also observe teaching sessions regularly, often through one-way mirrors, check lesson plans, and at the University of Phoenix, they will examine all online transcripts of teacher-student communication if a student complains he or she has not had value for money. They have professionalised the teaching role. They attract students because they offer small class sizes, typically 15–20 in face-to-face classes and fewer in online classes, and they have dedicated counselling and service staff who provide personal, individual attention. They offer compressed terms (five-six weeks at UoP and 10 weeks at Keller

Graduate School of Management) with one class a week in the evening or Saturday morning. Their online classes are small, fees are higher (generally about \$120.00 more per subject) because staff are paid more to teach online, and infrastructure costs are higher. They require students to log on frequently as part of their verification policies, and to keep students on track. They outsource their infrastructure to companies like Blackboard or eCollege. They are strongly targeting the corporate market for short courses in addition to their degree offerings. And they are large: University of Phoenix has over 65,000 students, DeVry Institutes, the undergraduate arm, has 16 campuses and 38,000 students while the postgraduate arm, Keller Graduate School of Management, has 31 locations and 5,500 students.

As Jim Mingle, Director of the State Higher Education Executive Officers, said 'the market won't support research, arts, science, small institutions, and low income students'.

Traditional providers

The challenges for traditional providers are obvious. How can a university or vocational training organisation which conceives of its mission as offering a comprehensive curriculum spanning a wide range of disciplines compete with organisations with a narrower focus? If the market (whether industry or students) is demanding relevance and job-readiness, where is the future for generalist courses? What is the role of government in accrediting providers? Should a government regulate an education market? Can it

do so in the face of World Trade Organisation free-trade principles? When traditional universities are limited in their capacity to employ part-time casual staff, how are they to respond to competitors which have lowered cost structures through eschewing academic autonomy in devising curriculum, which have specialist staff to develop a central syllabus teaching staff must follow? When for-profits attract students who are prepared to pay more, often much more, for the personal attention possible in small classes, while classes in public institutions get larger? And when the attraction for many students in the for-profits is 'speed to qualification', while the traditional university clings to extended semesters? We explore these issues in greater depth in our Report. Undoubtedly however—and this point was re-iterated by all our interviewees—we are not about to witness the demise of the traditional university, or the end of the on-campus experience. For the majority of school leavers and for very many 'earner-learners', working adults who are seeking to upgrade their formal qualifications, the face-to-face class is both an expectation of the 'university experience' and an important locus of social learning.

But there are important lessons those in the traditional institutions can learn from alternative providers. Traditional institutions must learn some hard lessons about unbundling, particularly in relation to infrastructure, whether that be IT services or physical 'plant'. They must learn the value of alliances with other service providers. They already see the potential of providing short courses tailored to corporate needs, but they must do so without compromising the integrity of their

intellectual assets, which are in crude terms, their 'unique selling point', their credibility as disinterested producers of knowledge and critique. They must look to the possibilities of global consortia to offer courses worldwide to corporations seriously engaged in staff education and training. They must also recognise that many of these corporations are themselves struggling with getting value from education and training in their business ventures, that most are in the early stages of establishing Return-On-Investment for their online training, and that most are still to find an appropriate pedagogy which will maximise the potential of Internet-based learning. Business and Education are learning from each other in using the new technologies.

The business models for online education are not yet proven. Does an entrant to the market aim for the low-volume prestige course such as the Duke University Global Executive MBA? Or a high-volume low-cost mass market with less prestige? This route in distance education, in the so-called 'mega-universities', is generally associated with high drop-out rates. The University of Phoenix has sought to protect itself against drop-out and dissatisfaction with its online programme by low staff-student ratios, intense tutoring and a pedagogical model which emphasises and assesses peer support. But the cost of providing this intense teaching is high, and UoP does not reveal drop-out rates.

Twinning operations with overseas institutions and off-shore operations are proving attractive to Australian universities, but are also high-risk; there are several instances of failed

and loss-making ventures.

And while we may fear the intrusion of the corporate universities into the education market, it is worth noting that for business, the costs of accreditation are a major disincentive: they are not geared to the complex procedures necessary in most countries to accredit institutions and programmes, and their curriculum changes so quickly that re-accreditation as each new product comes to market would be crippling. In any case, industry certification in certain areas such as IT is perhaps more portable, and perhaps more in demand, than a degree: the Microsoft Certified Professional or Sun certification is a global currency. The IT industry has simply created its own qualification.

Mixed signals

There are some mixed signals for organisations seeking to capitalise on this business of education, whether universities and corporations. Both our US interviewees and other research studies in Australia point to a reluctance on the part of many individuals to undertake **formal** education, which might limit a fee-paying opportunity for universities. Most employees appear to accept the necessity of lifelong learning, but they are showing a distinct preference for Just-In-Time learning opportunities related directly to work needs as they arise. The time commitment to longer programmes, even two-year programmes, limits take-up from employees. McDonald's reports only a 10 percent take-up of their programme in which university-delivered modules articulate into a

formal qualification. Jim Mingle questions whether employees would undertake training at all if they were not required to do so to retain or progress in their jobs. Further, employers are torn between the investment in constant re-training of their staff, thereby making them more 'poachable' by other organisations, and 'buying in' the skills they need. Organisations committed to education and staff development take the risk, hoping to become 'employers of choice', but there is some evidence that staff now **expect** investment in their education because they no longer anticipate company loyalty in the form of continued employment.

boundaries of time and space. In 2000, the real breach of borders is occurring between universities and corporations, between training and education, between universities and vocational colleges, between on-campus and off-campus learning experiences. In the process, we have already seen the emergence of the corporatised university, learning the lessons of business. Our challenge is to forge a new identity which preserves 'core business' while exploiting the potential of that blurring of borders.

One comment, quoted by Jeanne Meister of Corporate University Xchange, casts the current euphoria over the business of education in a cautionary light: in assessing whether education will continue to boom, 'the test will be a bear market'.

The prognosis

What then is the prognosis for borderless education? We would suggest that online education will be absorbed into conventional programmes that offer both 'high tech and high touch'. However, credible, wholly online programmes will emerge alongside shonky operations; indeed that has happened already.

More significantly in the longer term is the nature of the borders we are discussing. In 1996 when we started the first investigation, 'borders' were conceived as geographical and geopolitical boundaries, and

Further information

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