The Business of Borderless Education

2001 Update

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1 Introduction

Figure 1  NASDAQ Composite Index for the period since the BBE 1999 investigations to August 2001

‘The test will be a bear market.’

So opined Dean Heeger, then Director of the fledgling NYU Online, just before his departure to the for-profit UMUC Online. And indeed, the tech wreck of April 2000 was followed by a further steep decline in October 2000, and continuing uncertainty and profit downgrades in all key market segments, but most especially in e-commerce, e-business and telecommunications stock in 2001. The effects of a bear market on the business of borderless education demand an update on the 2000 Cunningham et al. report.

That report was conducted in the context of a buoyant economy exhibiting ‘irrational exuberance’ in the potential of the internet for profit in the business of borderless education. In mid-2001, that faith remains in the hype of investment analysts, but is not shared by many in the market, nor is it reflected in the experience of many for-profit and not-for-profit education providers and educational services companies.
In consequence, the Department of Education, Training and Youth Affairs (DETYA) commissioned the present study as an update of the 2000 Report, with the following brief:

... QUT will submit an update of the activities and changes that have occurred in US higher education and training since the submission of the BBE Report in February 2000, expanding on the data presented in the course of the Scoping Study on an Australian Observatory in March 2001.

This report will be a succinct analysis (approx. 50 pages) of the major organisations canvassed in BBE, emerging companies such as Jenzabar, and institutions which have entered either the 'business' of education, or 'borderless education', or both.

It will examine the effects of the dotcom crash on the education sector, revisit the issues raised in the BBE report, consider their continuing relevance, and examine more recent issues such as the implications of metatagging of learning objects, and free educational content.

Briefly, the 2000 Report canvassed the emergence of corporate, for-profit and virtual universities in the US, and their likely effects on Australian higher education, most particularly in terms of staffing, student profiles, curriculum issues as institutions moved away from traditional forms of delivery, technologies employed, accreditation and quality issues, and threats and opportunities for Australian markets. Hence the present study, while noting some developments in other jurisdictions, continues its focus on the US as the major base of corporate and for-profit universities, and the source of financing for most virtual universities, whether these are conceived as 'hollow' organisations such as Western Governors, or wholly online universities offering both administrative and teaching services, such as Jones International.

This update then is not, except obliquely, a survey of developments in the internationalisation of higher education; rather it is market intelligence on the shifts that have occurred in the education/dot.com world in the US, and some discussion of what those shifts mean for Australian policy positions.

A graphic illustration of the severity of the downturn in technology related stocks, on which much of the hype associated with the education industry rests, is evident in Figure 1.

It must be noted that while the dot.com world has borne the brunt of most attention and derision in the financial press, no industry has been immune from the economic downturn, as layoffs and profit downgrades in Ford, McDoналds and American Express indicate. However, enterprises linked with computer equipment, telecommunications (AT&T, Lucent Technologies, Ericsson, Motorola), media (MGM) and software, in other words those whose convergence spawned the possibilities of business prospects for borderless education, have been hardest hit at the sector level. Companies such as Cisco, a large investor in e-learning ventures, have reported revenue drops of 30 per cent or US$3.7 billion, mass sackings, and dramatic restructuring of business plans. Cisco's CEO John Chambers lamented the speed and depth of the downturn as totally unexpected (The Australian, April 18, 2001, p.20).
However, e-learning and for-profit education service companies with a digital component appear most vulnerable to withdrawal of capital, critical in the early phases of an industry's development, because they have so dramatically failed to deliver revenue. Tom Stein (reported in University Business 4 (3) 2001, p.75) estimated that in 1999, for-profit education attracted US$96 billion in revenues, but dedicated e-learning ventures accounted for only US$500 million of that revenue. The consequence, as Evans (2001) notes, is a drop of 70 per cent in education-related equity funding in 2001 over first quarter 2000, just before the dot.com crash.

Senior Director of Marketing for Pennsylvania State University Outreach, Bill Minor, reports: 'The economy is down...there is not as much market demand, and there is more competition, some of it free' (Virtual University Gazette, June 2001, p.5). Market analysts, previously 'bullish' about the prospects for profit from online education, are now openly conceding that the distance education market is 'not as large as some had projected' (Stokes, Evans and Gallagher, 2000, p.4). Further, the supposed driver of the business of education, the need for constant lifelong learning as a feature of global competitiveness, has failed to convince many corporations, which have preferred more traditional financial solutions to hard times: staff layoffs. There is growing evidence that individuals, at least in Australia and the UK, have also become more cautious in their investment in formal education and training, in line with increases in their contribution to tuition fees.

In the US, it is the 'convenience model' of the University of Phoenix (UoP) and its for-profit campus-based rivals, with their short terms, vocational curricula, small classes and customer service, that have attracted both students and investors.

It is critical to note that e-learning initiatives have not ceased. There is no argument that the slump in e-commerce or e-business will force a re-assessment of the value of the internet in education. However, the business case for using the internet in for-profit higher education is becoming more qualified, at least in relation to degree programmes, with the exception of the already popular ‘convenience’ programmes offered by institutions such as UoP.

Nevertheless, there are still many examples of institutions, both non-profit and for-profit, launching online programmes in supposedly niche areas, to supplement falling income from the former ‘cash cow’ of on-campus MBA programmes, where enrolments have slumped over the last year (Corporate Universities International 7 (3) 2001, p.1). Further, ‘new and improved services’ are still being launched for a digitised educational world. An example is Questia’s US$19.95 per month subscription service for on-campus students to access digitised library resources, and software that enables easier cut-and-paste into a split screen document. Investment analysts are, however, more qualified in their enthusiasm for such ventures.

Moreover, university managers have also begun to withdraw from their for-profit distance ventures because these have not made ‘business sense’ in the short term.
2 Developments in the case study exemplars

The table below illustrates the success (in financial terms at least) of the major for-profit entities associated with e-education. It is clear that only those companies that offer (a) accreditation, and therefore have a strong cash flow; (b) vocational qualifications and a strong job placement rate; and (c) campus-based tuition, even where they also have an online division, have thrived in the weaker economic climate of North America.

Table 1 Performance of selected US publicly listed for-profit education-related companies

<table>
<thead>
<tr>
<th>Company</th>
<th>Description</th>
<th>Sales (12 mths to 3rd qtr 2001) (US $ m)</th>
<th>Profit/loss (US$m)</th>
<th>12 mth share price change</th>
<th>Employees</th>
<th>Enrolments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apollo Group</td>
<td>See text</td>
<td>719.4</td>
<td>97.9</td>
<td>59%</td>
<td>15563</td>
<td>80000</td>
</tr>
<tr>
<td>DeVry Inc.</td>
<td>See text</td>
<td>568.2</td>
<td>57.8</td>
<td>2%</td>
<td>3200</td>
<td></td>
</tr>
<tr>
<td>Learning Tree International</td>
<td>Provider of corporate and government IT training.</td>
<td>236.5</td>
<td>31.4</td>
<td>-61%</td>
<td>586</td>
<td></td>
</tr>
<tr>
<td>ITT Educational Services</td>
<td>Operates a large number of IT and other technical education institutes across the US.</td>
<td>375.8</td>
<td>29.5</td>
<td>70%</td>
<td>3030</td>
<td>28000</td>
</tr>
<tr>
<td>Education Management Corp.</td>
<td>Runs 18 proprietary schools across the US offering bachelor and sub-bachelor awards in arts and some IT fields. Is buying Argosy Education.</td>
<td>370.7</td>
<td>29.0</td>
<td>67%</td>
<td>2360</td>
<td>24500</td>
</tr>
<tr>
<td>Career Education Corp.</td>
<td>Provides postsecondary education in a narrow range of courses to some 30 000 students, mainly US but also some from other countries.</td>
<td>422.4</td>
<td>27.5</td>
<td>89%</td>
<td>2500</td>
<td>32000</td>
</tr>
<tr>
<td>Strayer Education</td>
<td>Provides business and IT education to some 12 000 students across three States. Includes an online Division, and also operates student financing, principally for Strayer University.</td>
<td>84.2</td>
<td>23.4</td>
<td>138%</td>
<td>114</td>
<td>12000</td>
</tr>
<tr>
<td>Corinthian Colleges</td>
<td>Runs over 50 colleges and schools across three US States, with specialised curricula.</td>
<td>223.8</td>
<td>22.7</td>
<td>128%</td>
<td>1099</td>
<td>20000</td>
</tr>
</tbody>
</table>
### Argosy Education Group Inc.
- Being bought by Education Management Corp.
- Argosy runs various schools and specialist colleges in the US and Ontario providing IT, business and psychology education.
- 51.9 (EBIT), 1.5 (ROI), 76% (Net), 355 (Revenue)

### Whitman Education
- Operates 20 schools providing college programmes in IT, business, health care and engineering. Includes Colorado Technical University.
- 81.3 (EBIT), -0.5 (ROI), 75% (Net), 671 (Revenue), 7500 (1000s of students)

### Provant Inc.
- Provider of corporate training.
- 206.9 (EBIT), -2.9 (ROI), -72% (Net), 1569 (Revenue)

### Primarily online/DE providers

<table>
<thead>
<tr>
<th>University of Phoenix Online</th>
<th>See text</th>
<th>124.3*</th>
<th>22.3*</th>
<th>75%</th>
<th>16 000 (incl in Apollo)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Educational Videoconferencing Inc.</td>
<td>Provides infrastructure and content for corporations and other education providers.</td>
<td>8.9</td>
<td>-10.1</td>
<td>-95%</td>
<td>114</td>
</tr>
<tr>
<td>Vcampus Corp.</td>
<td>Provides online corporate training courseware. Formerly UOL publishing.</td>
<td>8.8</td>
<td>-11.9</td>
<td>-86%</td>
<td>89</td>
</tr>
<tr>
<td>Skillsoft Corp.</td>
<td>Provider of online training for corporations and government clients.</td>
<td>31.4</td>
<td>-15.8</td>
<td>104%</td>
<td>234</td>
</tr>
<tr>
<td>DigitalThink Inc.</td>
<td>Supplemental online IT training for staff and customers of various IT firms.</td>
<td>47.4</td>
<td>-53.1</td>
<td>-60%</td>
<td>441</td>
</tr>
</tbody>
</table>

### Service/content providers

<table>
<thead>
<tr>
<th>HungryMinds</th>
<th>See text</th>
<th>216.0</th>
<th>-5.4</th>
<th>-33%</th>
<th>700</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sylvan Learning Systems</td>
<td>See text</td>
<td>409.7</td>
<td>-12.5</td>
<td>91%</td>
<td>5300</td>
</tr>
<tr>
<td>Click2Learn.com</td>
<td>See text</td>
<td>44.6</td>
<td>-17.9</td>
<td>-82%</td>
<td>436</td>
</tr>
<tr>
<td>eCollege.com</td>
<td>See text</td>
<td>16.5</td>
<td>-23.9</td>
<td>-18%</td>
<td>281</td>
</tr>
<tr>
<td>Saba Software</td>
<td>See text</td>
<td>53.0</td>
<td>-63.0</td>
<td>-65%</td>
<td>462</td>
</tr>
</tbody>
</table>

* Income and profit for University of Phoenix Online in this table are for the 9 months to 3rd quarter fiscal 2001.

### 2.1 For-profit universities

The established for-profit sector has weathered the economic downturn in the US well in terms of market sentiment. The Chronicle of Higher Education maintains an index of 11 publicly traded stocks, and reported an increase of 27 per cent in share prices of those stocks in April-June 2001 (CHE online edition August 10, 2001) resulting from increased enrolments, and reliable cash inflows as a result of government financial aid programmes and employer-paid tuition. DeVry, Strayer and Apollo, all with strong campus operations and tuition revenue streams, had share prices at near highs in late 2001, along with Sylvan and UoPX, the online operation.
Furthermore, for-profits increased their share of the degree market from 3 per cent to 8 per cent over the decade 1989–1999 (CHE online edition, July 19, 2001), although actual numbers remain small: 366,000 compared to 11.2 million in public institutions. (It should also be noted that these numbers represent subject enrolments, not EFTSU.) Nevertheless, over 77 per cent of for-profit education providers in the US are in the certificate and associate degree level market (Breneman, Pusser, and Turner, 2000).

Nevertheless, some providers are minute in terms of size: even the well-known Arthur D. Little School of Management which offers Bachelors and Masters degrees had only 65 students in 2000. Although the major chain providers such as Strayer have respectable total numbers, the average campus size is small, at 700 students. The small numbers in many new programmes may be due to their lack of accreditation outside their immediate geographical area: the Arthur D. Little School of Management has thus far secured only New England regional accreditation. The costs and onerous nature of accreditation to cover all US jurisdictions remain prohibitive for many providers.

The difficulty posed by expensive and onerous accreditation processes has proved a boon for other accredited institutions prepared to provide generous credential assessment and transfer credits. Excelsior and UoP, for example, apply the convenience principle by assessing previous courses and qualifications for equivalence, and undertaking this for the individual student, thus providing an end-to-end service. Although these providers charge the student for the service, UoP has automated its assessment regime via a database (see Cunningham et al., 2000), which is faster (and cheaper) than the American Council on Education process, and which ultimately reduces the cost of gaining a degree, because of credit transfer.

Nevertheless, the for-profit sector has not been entirely immune to the seismic shifts of the last 18 months in the US economy, and consolidation among for-profit institutions has been marked in the last 12 months. Numerous small (150–500 students) specialist institutions have succumbed to merger and acquisition, the preferred expansion route in avoiding the lengthy delays of accreditation of new programmes.

The following section provides an update of the activities of the case examples canvassed in the 2000 Report, and brief introductions to emerging and new providers in the various sectors.

The University of Phoenix (UoP), along with its parent group Apollo, has increased its dominance of the for-profit market, mainly though a dramatic increase in its online activities, to the extent that these were spun off into another public company, UoPOnline, which now offers 200 units in 10 degree programmes. UoP (<http://www.phoenix.edu>) has also launched a hybrid class+internet mode, FLEXNET, which has face-to-face introductory and terminal sessions, sandwiched around electronic communication. However, its face-to-face programmes remain central to the business; its total enrolments now number 116,800. UoP now supports its own course management platform, having dropped Convene as

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1 Much of this information was collected by Prof. Coaldrake on a return visit from QUT in January 2001. Interviewees were Laura Palmer-Noone, President UoP; Tony D'iggovanni, President UoPOnline; Kathy Alexander, V-P, Tucson Campus; and Dennis Wilson, Regional Executive Director (Academic) Southwest Region.
supplier in late 1999 on concerns that the delivery platform was in fact core business and warranted dedicated internal development.

Although UoP’s focus remains on business and IT programmes, it has expanded into carefully targeted high-demand areas in the South West states: corrections and private security, and teaching qualifications. Notwithstanding its reticence in terms of overseas expansion during our 1999 interviews, the university has announced plans to develop, acquire or create partnerships with institutions in Brazil, China, India and Mexico via Apollo International (with partner Kaplan Ventures) to the value of US$40 million (CHE, August 11 2000, p. A44). Since it currently has a requirement that students must be full-time employed, and be US citizens or have a US residency permit and work visa, these expansions will most likely require partnerships or investment rather than establishment of UoP branch campuses.

After a massive US$1 million television advertising campaign, by May 2001, 25 700 students were enrolled in UoP’s online degree programmes, an increase of 86 per cent from last year (Investor’s Business Daily, 27 August 2001). Although the online programmes are more expensive, UoP’s operating margin on these is a high 28.5 per cent, compared to 18 per cent for its on-campus programmes. Under the Distance Demonstration project, the US Education Department is involved in joint testing with the university assessing the effectiveness of online study. The project results will determine financial aid allocations to distance learners. However, Laura Palmer Noone, now President of UoP, said almost 60 percent of students receive tuition reimbursement from their companies. Hence a more generous government policy in relation to financial aid for distance learning is not critical to UoP, although it would undoubtedly strengthen the appeal of its online activities.

Indicative of the growing alliances and partnerships occurring in the higher education sector, Thomson Learning agreed in May 2001 that it would provide digital content for the Apollo Group in business, social science, the hard sciences and IT. Apollo has also decided to provide texts for its students in digital form, as part of its drive to convert UoP into a ‘bookless college’ (Wired News, August 23, 2001). Thomson is one of four content providers.

Notwithstanding its declared lack of interest in entering the online market at the associate and undergraduate degree level in our 1999 interviews, DeVry and Keller Graduate School of Management have responded to perceived market pressure to develop selected programmes in online mode (Bachelor of Science in Business Administration (BS BA) and Bachelor in Information Technology (IT)), complementing their cautious entry into online programming via Keller Graduate School of Management. The online programme is priced at one-third more than the campus programme. DeVry and Keller (now combined as DeVry University) continue to expand their campus presence through establishing new outlets in South Florida and Seattle, Washington. The company is also acquiring other education providers, as in its purchase of Denver Technical College. DeVry uses eCollege for its platform.

DeVry University’s attraction to associate and degree students, now numbering 47 000 students, with postgraduate enrolments of over 8000 students, remains

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2 One feature of the new business world that is of note is that traditional supplier relations have morphed into ‘partnerships’, although that word has a specific legal connotation that is not intended in many of the relationships.
its high job placement rate (96 per cent). However, it continues to report a high loan default rate: 17 per cent in 1999 (Moe, Bailey and Lau, 1999), compared to 5.8 per cent at UoP, although the latter has an older population, and is less reliant on federal loans for tuition.

The multi-faceted Sylvan has suffered in the turbulence of the education sector over the last two years. In January 2001, it laid off 17 per cent of its staff (Virtual University Business Digest 3 (1) 2001, p.8).

Sylvan Ventures, which as recently as 1999 had 63 per cent of its business in the testing area, bought 41 per cent of Walden University, a distance educator in postgraduate programmes, in February 2001, hoping to expand in the increasingly privatised fast-track teacher education sector, which has arisen because of the perceived unattractiveness of teaching in the public school sector. Sylvan also moved aggressively into acquisition mode in the English Language area through purchase of Aspect, but this venture into the UK failed, and Sylvan sold the business. It has increased its financial interest in Universidad Europa, its Madrid operation, to 78 per cent, and has purchased majority stakes in a Mexican and a Chilean university, as a signal of faith in the Spanish language market (CHE online edition August 10, 2001). It is one of four major investors, among them publisher Houghton Mifflin, in OnlineLearning.net, UCLA’s private spinoff in online non-award continuing education, and has diversified into what is called the degree verification business through its investment in EdVerify, which checks qualifications for corporations.

Sylvan subsidiary Caliber, which supplies and manages a national video-conferencing, testing and learning centre chain, filed for Chapter 11 bankruptcy in June 2001. It owed US$ 29.8 million, closed 45 of its 52 centres, laid off 75 per cent of staff, and had not made a profit since its float in 1998, notwithstanding late 1999 Merrill Lynch predictions of 50 per cent growth by 2003. Sylvan had already written off US$12 million in relation to Caliber, and expected to loan it another US$14 million for a financial re-structuring. Caliber will, after restructuring, focus on supplying broadband software and services to the corporate communications and training market. Stock analyst Hambrecht suggested that the difficulties stemmed from Caliber’s physical network; it should have focussed, said the analyst, on internet-based delivery for its corporate clients (New York Times, June 16 2001, p. C4), although such advice ignores the large number of other companies providing such a service.

Meanwhile, NYUOnline, launched three years ago as a for-profit arm, announced in late 2001 that it will close as a separate division of NYU and fold some of its operations back into the School of Continuing and Professional Education, and sell its infrastructure (CHE online edition, November 28, 2001). NYU had invested US$21.5 million into NYUOnline by July 2001 (CHE online edition, July 20, 2001). It had hoped to cover 40 per cent of the costs of its operations by the end of 2001 (CHE, July 20, 2001, p. A29). Like most providers, it partnered with a number of other organisations, including publisher McGraw-Hill’s Lifetime Learning section, the attraction of the latter being its distribution network. NYUOnline decided to ‘blend’ its own authoring software with Docent’s, for easier integration with corporate client systems. The business strategy targeted the corporate market, but take-up was slow; it had only 45 companies on its books, although it claimed
students in 35 countries; at end 2000, it had only 166 students in its graduate programmes (Kriger, 2001). The course focus was finance and management (New York Times on the web, March 21, 2001), supposedly prime target products. NYUOnline dropped semester-length subjects in favour of eight- to twelve-hour self-paced modules, which it hoped were more appropriate for the Just-In-Time needs of its clients’ employees, but the move failed to attract more students.

UNext’s much vaunted virtual for-profit university, Cardean, with course material to be provided by prestigious university partners Carnegie Mellon, Columbia Business School, Stanford, the University of Chicago and the London School of Economics, has proved unsuccessful in its venture to provide courses for the corporate market. UNext, not the partner universities, was to provide teaching staff; partner universities’ staff outlined the curriculum for UNext developers, and reviewed the final subject material. Courses were of several weeks’ duration. The attraction for Columbia was 5 per cent of UNext’s revenues from the courses in cash or share options, or $20 million if the venture was unsuccessful; other universities would receive less (CHE online edition May 12, 2000). Cardean’s offerings encompass MBA subjects, taking six weeks each, and short courses of a few hours, using a problem-based approach. The MBA is yet to receive accreditation. Its original business plan was to target corporate clients, but by late 2000, it was also attempting to attract individual students, especially university students nearing graduation, who might need vocational preparation courses such as ‘Get to Work’, a 50-hour US$995 course on business basics.

The company now recognises that its corporate clients are not degree-oriented: ‘And we don’t know yet whether individuals will seek online MBAs’, observed Geoffrey Cox, Vice President of Academic Affairs at UNext (Carr, 2001a), a startling admission for a company whose business plan has targeted the individual as well as the corporate market. Other courses include ‘Shakespeare’s lessons for business leaders’, a 10 hour US$380 subject which features somewhat dated dark broody 1970s cartoon graphics illustrating the plays. In seeking further exposure for its programmes, Cardean has entered a number of alliances, including one with BetterManagement University (<www.bettermanagement.com>), a portal which targets business executives with performance and cost management courses. The portal will offer a 5 per cent discount on Cardean courses.

UNext, based in Illinois, was founded by a number of Nobel prize winning economists and professors from the University of Chicago, and derived from an earlier venture, Knowledge Universe, a company founded by junk bond fraudster Michael Milligan; the CEO of Oracle, Larry Ellison; and Andrew Rosenfield, now CEO of UNext. Knowledge Universe still owns 20 per cent of UNext, which ended 2000 and began 2001 with staff cuts, despite a multi-million contract to provide e-learning for General Motors University. It also ventured into an overseas partnership with a Middle East investment group, Foursan Technology Partners, to sell Cardean courses into the Middle East, and announced its intention to launch UNext Korea. In another deal, the company agreed to collaborate with the UK Open University Business School to offer Cardean courses to OU alumni. Although accredited by the Distance Education Training Council, which is listed by the US Department of Education as a nationally recognised accrediting agency, Cardean had only gained accreditation in Illinois itself. (It should be noted that
DETIC's accreditation process involves a description of courses offered, no inspection, and the payment of a subscription fee.

Carr (2001a) reported increasing doubts from UNext partners, including those at the University of Chicago, about the company's long-term viability, consequent on the $120 million UNext has spent on developing its platform and securing the commitment of the universities involved. It typically spent US$700,000 on developing a semester-length MBA subject. In March 2001, publisher Thomson made a strategic investment in UNext: its President and CEO Richard Harrington negotiated a place on UNext's Board. The plan was that UNext would license its learning administration and technical platform to Thomson, and Thomson would assist UNext with distribution. However, by August, industry speculation was that Thomson will in fact bid for a complete takeover, as UNext has announced that it is seeking a major variation on its terms of contract with the Cardean university partners, specifically, its guarantees of cash returns (CHE online edition, August 7, 2001). Thomson had already advised its Universitas21 (U21) colleagues that it would not continue to invest in competitors of the U21 corporate education venture. At end August, there were strong rumours of Cardean's impending collapse: UNext laid off another 42 per cent of its staff in mid-September.

The University of Maryland University College has quietly folded its UMUCOnline operation back into its standard distance programme, and will also close its German campus due to financial difficulties. It has chosen to remain with its own web platform, because in President Dean Heeger's opinion (Stokes, Evans & Gallagher, 2000, p.39), there is still no single source vendor system, which meets UMUC's distance education needs. Notwithstanding the US$40 million state funding it has received since 1996 (Kriger, 2001), it is now seeking to broaden its income by selling its distribution and technical support services to other institutions entering the distance market. It has spent US$1 million developing its online MBA, and is 'very close' to recouping the development costs (Carr, 2001c), but cancelled its engineering management programme due to low enrolments. UMUCOnline found itself in breach of government regulations regarding the payment of commissions to recruiters who attract students by offering easier access to federal tuition grants. It has laid off staff, and admitted the venture still carries a high risk (CHE online edition, July 19, 2001), although it 'expects' to enrol 70,000–80,000 students in the 2001–2002 academic year, and is heavily targeting the Asian market (The Australian Higher Education, March 28, 2001, p.48).

After the publication of the BBE Report, Harcourt's Higher Education division launched its for-profit virtual university in Massachusetts in late 2000, with predictions of 20,000 students within five years in 100 subjects. By June 2001, and after a $10 million investment, Harcourt had only eight students in degree programmes, and 24 in all subjects. It announced the venture was to close, with the students transferring to the US Open University (USOU) (see below). Although the enrolments themselves were not encouraging, and the venture was a loss maker, closure of the online university was more a result of the purchase of Harcourt Higher Education by publisher Thomson, since the former would compete directly with Thomson's investment in Universitas21 (see below), and, presumably, with Cardean, were that company to continue operations.
Barnes and Noble University has proved a popular marketing venture for the bookseller; it offers free 'education' via self-paced modules or guides, somewhat in the manner of Book Group notes, to titles sold via its online sales section. However, it retains a strong physical chain presence.

Other for-profit ventures have proved less successful. Dow Jones University, launched in 1999, with low cost investment courses at US$49 each, closed in early 2001. The long-established technical training company Computer Learning Centres, a publicly traded company, went into Chapter 7 bankruptcy in early 2001, leaving 9000 students in mid-course, after apparent fraud in paying commissioned recruitments, insider trading, and fading enrolments. The Disney Institute, which has frequently been cited as an example of the potential threat to universities, announced in January that it was closing its Go.com portal, firing its 400 staff, and folding the Institute, its professional development subsidiary, back into the parent company, having lost US$1.1 billion in fiscal 2000 for a revenue of US$369 million (The Australian, 31/101, p.25).

Temple University closed its distance education arm in early 2001. Its President said they no longer expect distance programmes to make a profit 'or even pay for themselves'; rather, the university would focus on inter-campus interactive video. Other universities have had little success even with continuing professional education. At UCLA's School of Dentistry, a US$750 000 investment in online continuing professional education failed, with staff reporting, 'they only come to classes' (THES April 6, 2001, p.16).

In 2000, the fledgling attempts of the UK Open University (UKOU) to enter the US market via a for-profit subsidiary USOU had been dogged by failed partnerships and lack of accreditation. In early 2001, USOU acquired a partner, the University of Maryland at Baltimore County, in a wholly online coursework Masters of Science in Information Systems. USOU was to provide curriculum design and development for the new course, as well as tutor training (University Business 4 (3) 2001, p.20). In signing the Memorandum of Understanding in late 2000, the previous Vice-Chancellor of UKOU, Sir John Daniel, argued that for young students, the campus would always be a preferable locus of learning. Hence the focus in the UMBC joint venture would be the graduate adult market; it would offer tutor support asynchronously and online. At the same time, Daniel stressed the importance of local partners in the export of education to another culture, and questioned how globalised a university could become. In February 2002, the USOU in turn announced it would close in June due to insufficient enrolments: 'We couldn't get on a path to solvency quickly enough,' said Richard S. Jarvis, chancellor of the online institution (CHE online edition, February 5, 2002).

Columbia University invested heavily in its for-profit online initiative, which originally was an act of faith in the appeal of scholarly scientific and liberal arts 'web seminars' in such topics as Endangered Mammals of North America, and a 'B2C', Business to Consumer model. It took the lead position in Fathom (<http://www.fathom.com>). Other partners included the University of Washington, the Smithsonian National Museum of Natural History, the University of Chicago and Michigan University, the latter also being an early member of Universitas21, and Cambridge University Press. The Fathom strategy was to give 'ordinary subscribers and alumni' access to scholarly articles on a variety of topics
drawn from its staff expertise, and that of its partners, and sell online seminars as people read the multimedia articles, queried the moderator, and discussed the issues raised, for a modest fee, generally about US$50. Columbia itself spent US$18.7 million on developing the venture, but in early 2001, the university announced it would restrict further investment to $10 million, because of the lack of interest in generalist university-based non-award courses. Presumably, the attraction of these subjects in continuing education leisure programmes is as much the social interaction as the learning itself, notwithstanding the high quality of Fathom’s ‘star professors’.

Partner institutions have not contributed funds, and have been disappointed with enrolments, with the University of Washington saying its small subscription would require annual enrolments of 100-200 students, but it is not attracting near that number. Fathom’s new focus on short non-credit courses, and $100 two-day online seminars, is its last-ditch attempt to engage the e-learning market (CHE online edition, February 9, 2001). It is also partnering with Harcourt E-Learning to offer Harcourt’s catalogue of generic courses through the Fathom website, beginning with general education, business and IT subjects.

Fathom’s experience would indicate that the strategy of attracting individual consumers to an online liberal education product is not a successful business model, presumably because so much material of a generalist nature is available free on the internet, and because an unknown name (Fathom) will struggle to attract sufficient numbers for viability. The B2C model ‘works’ for Barnes and Noble University because it is selling an associated product, books supporting the online material. Barnes and Noble has effectively made the cost of one element of its content, the teaching and learning guides, ‘zero’, to the consumer. However, it is questionable whether any of the consumers of Barnes and Noble University guides believe they are engaging in a ‘serious’ educational experience.

From a business perspective, one might conclude that universities targeting the individual consumer should build on an existing brand name, and that non-award leisure courses are unlikely to attract viable numbers.

Test-preparation company Kaplan illustrates the flexible business plans that have been required during this era of consolidation and rationalisation. It first expanded into career fair organisation, then moved into direct education provision through its purchase of Quest Education Corporation’s 30-campus operation, to form Questia University, with a focus on health programmes and IT courses. Kaplan acquired the 13 000+ student Quest in early 2001, and will focus on distance education.

The for-profit Argosy Education Group, previously specialising in clinical psychology at the postgraduate level, bought out a number of under-performing private law schools and teacher education institutions in early 2001. Its strategy was to provide at the lower end of the fee range, and it intended to re-brand all its agencies under the Argosy University title. Subsequently, in July, the Argosy Group, with 5000 students, was itself bought out by Pittsburgh based Education Management Corporation, which had previously specialised in small art schools, with most offerings at the associate degree level in fashion, food and communications (CHE online edition, July 10, 2001). The name Argosy International will be retained for the chain.
In Australia, the BBE Report examined two emerging models of corporate and for-profit education, the Coles Institute and Melbourne University Private (MUP), and mentioned the Australian Simon University (ASU). The Coles venture with Deakin has progressed quietly, with no resolution of the vexed issue of whose crest will appear on testamurs, at least at the degree level.

The Australian William E Simon University was established in 1988 by an Act of the NSW Parliament. This Act limited the activities of the university to ‘the theory and practice of business administration’. The university ceased operations in the early 1990s after graduating two groups of students, due to what it described as ‘problems of a non-academic nature’.

A new Council for the ASU was appointed in 1997, and has now decided to recommence activity as a non-profit ‘university for business and industry’. Its stated aim is to ‘provide a channel through which people in the workforce may work towards a university degree through the auspices of their professional or industry association’.

It intends to seek recognition as a self-accrediting university under the AQF, to extend its legislative remit to broader course areas, and to offer only postgraduate awards. It is actively seeking sponsorship for an established university, in order to provide guidance, advice, quality assurance and to gain access to academic and administrative staff and expertise.

The ASU is proposing that it operates as a federation of autonomous Colleges, subject to the oversight of the ASU Academic Assembly. The Colleges would be responsible for the development and accreditation of their degrees, and would be supported by relevant professional or industry organizations.

The ASU Council comprises: Chairman, Dr Brian Scott (prominent Australian businessman); CEO, Professor Murray Wells (Emeritus Professor of University of Sydney); Dr John Glastonbury, Mr Allan Gillespie, Mr Frank Hooke, Ms Megan Cornelius, Professor Gordon Stanley (former Chair of HEC), and Professor Ron Johnston.

2001 was a turbulent year for MUP, culminating in its absorption into Melbourne Enterprises International, and an ignominious round of intense media interest and the Victorian Auditor-General’s scrutiny, forcing the Vice Chancellor to respond that ‘ideology drives much of the opposition to MUP’ (Campus Review, March 28–April 3, 2001, p.3). In addition to MUP’s loans and limited private investment, the public university invested $10 million into MUP, and in evidence to the Senate Committee on ‘The capacity of public universities to meet Australia’s higher education needs’, Prof. Alan Gilbert agreed only half of that amount was left for operations. Furthermore, the failure of MUP to attract more than 100 fee-paying students in award courses, and signed-up numbers of only 1000 in short courses for all of 2001, caused the Board to withdraw from its lease agreement on the University Square development, with a consequent $150 million refinancing required by the public parent. MUP’s major client, the Australian Defence Force, reportedly described its performance as ‘bumbling and hopeless’ (The Age, July 16, 2001, p. 9), and has put its contract up for re-tender, although the Department has since deflected questioning on that statement. Part of the difficulty, according to the Age press report, is that companies want training delivered on their own premises, not in the CBD.

Prof. Gilbert had argued that MUP needed more time to prove itself, and that 20 months was insufficient time to build a new business (The Australian Higher
However, by July, his Board decided to ‘restructure’ MUP. In a stated rationalization of commercial offshoots of the University of Melbourne, the loss-making MUP was rolled in together with the profitable Melbourne Enterprises International, the new entity retaining the name Melbourne University Private.

The venture reflects a real difficulty for public universities seeking to diversify their revenue sources. The same short-term determinants that operate in the business world are applied to the commercial ventures of education providers; managing boards are reluctant to extend credit indefinitely to unproven start-ups. ‘In other words, any investment which does not have a relatively near-term payback meaning a year or less, is a hard sale.’ (Leigh Kelleher, Principal and Global Director of E-Learning, Deloitte Consulting, quoted in Corporate University Xchange e-News 3, Issue 15 10/03/01)

Governments and the wider community have expressed concerns not only at the inherent financial and reputational risks in commercial decisions made by some universities in their attempts to generate income, but also by less than transparent accounting practices in some institutions. Auditors-General in Victoria, NSW, and Queensland have now issued critical reports of such practices involving several universities.

This would suggest there is a need for an urgent recasting of accountability and auditing requirements, with venture funding quarantined from public funding, more rigorous business plan scrutiny by managing boards, and better understanding and management of the actual costs of university activities.

2.2 Corporate universities

While Jeanne Meister argues that the number of corporate universities in the US has increased to over 2000, including Black and Decker and International Truck and Engine Universities, there remains little evidence that most are more than rebranded training units, often incorporating sales units. However, IT companies in particular have heeded the advice of Corporate Universities Xchange to transform their training units into profit centres. Many have done this through certification programmes on vendor-specific systems such as Novell and Sun Microsystems, but some are now offering vendor-neutral certification. Nevertheless, Corporate Universities International (7 (1) 2001 p.4) reports that only 11 per cent of corporate universities were successful in their profit ambitions.

In the 2000 Report, we suggested that the corporate university as represented by professional associations able to exploit their membership lists to aggregate demand for continuing professional education might prove both opportunity and threat to university business aspirations. As yet, there is little evidence that this has occurred to any significant extent. The UK BBE Report specifically highlights the success of organisations like the Association of Professional Engineers, Scientists and Managers, Australia (APESMA) in ‘capturing’ its membership to its own MBA programme, although the latter is a Deakin award. In the event, APESMA numbers in award programmes are small.
Professionals are showing a distinct preference for short, non-award, non-assessed courses, as argued elsewhere in the present report.

Although Arthur Andersen, examined in our 2000 Report, has spun off its consulting arm as Accenture, the company is worth reporting on for its approach to corporate training.

The AA Virtual Learning Network <www.aavln.com> aggregates training and education opportunities as well as knowledge management systems advice for clients. It has Application Service Provider (ASP) arrangements with a number of service companies such as NETg to on-license discrete courses in generic business and IT areas, and will provide customising services for delivery over a third client intranet. AAVLN promotes its topics as ‘learning objects’, which can be combined; in education discourse, these might be given the more familiar descriptor of modules.

Accenture itself has capitalised on its experience in developing Tax Works, its futuristic virtual reality training facility (see Cunningham et al., 2000, pp.222–23), to launch Indeliq, an independent company specialising in simulations for the corporate sector.

When we reported on Ford’s operations in early 2000, the company was convinced that its video satellite system FORDSTAR would remain the anchor of its training programmes. Some months later, after pressure from the United Auto Workers union, the company agreed to provide all 350,000 US direct employees with free computers and low cost internet access to drive training efforts, using Docent and Saba as its service partners. However, FORDSTAR remains the major delivery mode for its franchisees.

Although McDonalds was adamant in 1999 that online training was inappropriate for its franchise staff cohort, in 2001 it announced that it would commission its first online training, via outsourcing to DigitalThink. For its IT headquarter staff only, it has contracted to use KnowledgeNet, a privately held ASP providing a library of generic IT and soft skills online short courses. KnowledgeNet also has the Cisco Systems contract. (The efficacy of such courses and growing corporate and employee resistance to them is discussed further below.)

After announcing major losses in 2000, Motorola determined to pursue its for-profit corporate university strategy with a new Learning and Certification Services section, which designs leadership development programmes and onsell Motorola courseware, to capitalise on the growth of vendor certification programmes. A subsidiary, Motorola University Asia Pacific, claims to have eliminated staff travel costs in training through conversion of its courses to online mode. It has contracted Centra, a provider of software infrastructure and ASP services, for delivery.

2.3 Virtual universities

We identified two versions of ‘virtual’ universities in the 2000 Report: the ‘hollow’ organisation which provides an organisational and perhaps advisory service to students but refers students to providers for subjects/programmes, and an online ‘total service’ provider.
While neither version has performed to predictions in terms of enrolments, governments at state and federal level appear to maintain their faith in the potential of internet-based higher education. The proposed e-university in the UK, the broker model Canadian Virtual University, the Swedish Net University, and the Arab Open University, are among a raft of government-supported ventures. Despite the limited success of the broker model, the state of Virginia has announced its plans for Virginia Virtual University to commence in July 2002. Virginia estimates that its establishment costs for the broker would be US$ 400 000, since it would simply use other institutions’ offerings. Students would be able to construct ‘personalized curricula that blend traditional and electronically delivered courses from both in-state and out-of-state schools and businesses’ (Chronicle of Higher Education online edition, August 24, 2001). Students would seek approval for their learning plan from the virtual university’s faculty, and academic counselling would be charged on an hourly basis.

The underperformance of the Western Governors University venture has continued, notwithstanding the launch of its own competency-based Bachelors degree in Business-IT. It remains unaccredited. The State of Utah audited its enrolment at just 200 students in 2000, with high support costs (CHE, 25 September, 2000, p. A14).

In 2000, Michigan Virtual University was a state-funded venture looking for a mission. It remains a broker, and has secured further state monies for an IT initiative in all K-12 and post-secondary education institutions in the state. MVU will provide free IT courses for students and staff, and small businesses, using courses provided by NETg (a subsidiary of publisher Harcourt Brace) in technical skills in Microsoft Office 2000, Lotus Notes etc., as well as soft skills like interviewing. The government-backed strategy is intended to increase Michigan’s IT skills base, and to promote IT skills in its teaching population through self-paced professional development, and incorporation of NETg’s materials within curricula. Teaching staff will be required to undertake the programmes for promotion, ensuring MVU’s student base.

In an extraordinary irony, the National Technological University, a non-profit, spun off NTU Corporation, and then bought the for-profit PBS The Business Channel, a spin-off from the non-profit Public Broadcasting Corporation, in order to ‘aggregate content’ in the broadcast and e-learning market. NTU’s partner universities include UC Berkeley, Columbia, and MIT. Why they would continue to provide content to the PBS venture is not clear, since so many are now engaged in their own for-profit and/or online ventures.

State backing for the broker model is then a worldwide trend, but state commitment must be seen in the light of governments’ social policies to encourage lifelong learning, to spread IT skills for new economy agendas, and to attempt to leverage existing educational provision, rather than a business-case conviction that such ventures may be profitable. Indeed, to date, there are few successful business models for virtual online providers, as the lacklustre numbers (200 degree students) at Jones International University, the first accredited online university, indicate.

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3 Spectacular failure at California Virtual University, under-enrolment at Western Governors University, and limited interest in Michigan Virtual University, are offset by the apparent success of Scottish Knowledge, which is assisted by the distribution and marketing capacities of part-investor News Corp.
2.4 Public ‘corporate’ universities

The US Army's mooted e-learning venture reported on in 2000 has now been launched as eArmyU.com under the project management of PricewaterhouseCoopers, coordinating the efforts of 29 institutions, most of them community colleges, and eight different vendors, including PeopleSoft (for administration); Blackboard (courseware); SmartThinking (online tutoring); Compaq (equipment) and Saba. Much of the cost has been absorbed in building interfaces to enable interoperability of the 10 different commercial software applications used. The initial contract (for US$453 million over five years) covers education for only 80 000 Army staff out of the 470 000 active personnel. A remaining difficulty is that a number of the educational providers involved have limited or home-grown enrolment and tuition systems, or are reluctant to allow outside online access to their systems, so manual systems are still widely employed for enrolment.

Army staff are entitled to free courses at levels from Certificate to Masters, and are supported by free computers and dialin access through the Army intranet. Only three Army bases can thus far support the programme, but by 2003, it is expected to be available to all base staff.

In a related development, the US Department of Defense (DOD) launched its Advanced Distributed Learning (ADL) system (<http://www.adlnet.org>) with the Office of Science and Technology Policy and partner Instruction Management Systems (IMS), to develop and utilise an open architecture system to further knowledge management systems and learner support systems. The Sharable Content Object Reference Model (SCORM) was a project of the Customised Learning Experience Online (CLEO) laboratory, supported by Cisco, click2learn, IBM Mindspan Solutions, Microsoft and NETg, as well as the UKOU and Carnegie Mellon University.

The US services are the largest single distance education ‘consumer’ in North America, and the services' Instructional Design Systems, developed in the 1960s and 70s, has become the standard framework for the development of distance education programmes. Hence it might be expected that DOD's efforts in prototyping SCORM will shape the technical, organisational and perhaps the pedagogical models on which reusability of resources for all educational purposes will be based.

One of the most ambitious of the public-private partnerships in distance education is the UK Labour Party's announcement of the formation of the £50 million National Health Service University. Proposed to be functioning by 2003, this comprehensive public corporate university will be based on two public sectors: the various NHS agencies, with their disparate training needs from ward attendants to doctors and clinical specialists, and the further education and university sectors, which currently provide training and education for many NHS employees. Staff at the lowest levels would be paid £300 per annum to start a programme. The challenges posed by the proposal are daunting: coordination and delivery to 100 000 staff of an immense range of training, much of it regulated by both educational providers and professional associations, in a system which is under immense strain at the service level.
2.5 Service companies

Although some investment analysts have developed categories of provision in the e-learning market, based on whether companies offer technical platforms, administrative or teaching systems, or consultancy services, we believe that the convergence of services and the acquisitions discussed in the present report make such categories increasingly meaningless. Hence we have chosen simply to describe e-education support corporations as ‘service’ providers.

In 2000, we identified publishing/software/telecommunications companies as most likely to profit from the adoption of new technologies in education, since they would provide the infrastructure and systems that universities needed to incorporate online technologies into their teaching and administrative activities. It is these companies in the main that the various market research companies, including University Business, and Eduventures.com, focus on, in their stock selection advice. A useful catalogue of these companies can be found in University Business 4 (2) pp. 37–56, but as argued above, the categories represent a moveable feast (or famine).

None of the business models thus far devised by software companies engaged in education have proved sustainable or profitable in the current climate, with the exception of Microsoft’s licensing and franchising operations. Yet business analysts continue to promote high returns for all segments of the education industry, including online education and training, based on demographics, shorter business cycles, and the acceptance of lifelong learning by the public and the business community. At the same time, such analysts concede ‘few e-learning content providers have succeeded financially to this point’ (Eduventures Weekly Brief, May 23, 2001).

It should be noted here that at least some of the major companies involved in the service area are beginning to show increased revenues, although none are actually profitable at this stage, as Table 1 demonstrates. Most have announced that their revised expectations are for profit in the 2002 financial year. Investors may be impatient, however, given further postponement of profit achievement, and it would appear to be ‘make or break time’ for many companies in the sector.

The emphasis in service companies then has been on attempts to aggregate the various e-learning products that have emerged to ‘wire the campus’: portals, course management systems, Enterprise Resource Planning (ERPs), Student Information Systems (SIS) and e-business products. This is partly a business response, since no single company holds more than 2 per cent of its particular market (Moe, Bailey and Lau, 1999), and partly higher education’s need for a ‘one stop shop’ solution. No one product has yet integrated all systems, leaving universities with the complex problem of patching systems, and overlaying them on their own internal systems. Some organisations are forming partnerships with organisations selling complementary products, such as WebCT, Campus Pipeline and SCT (an ERP). Others such as Jenzabar purchased ERP products, and aim at a particular niche, in Jenzabar’s case, small to medium institutions. Another strategy, pursued aggressively by software supplier Microsoft in the education market, is to provide services via an ASP (Application Service Provider) arrangement rather than a licence, ensuring consistent cash flow, accurate record keeping by universities, and higher returns for
the provider. Thus far, universities have in the main resisted ASP provision in their record keeping functions, for security and privacy reasons.

Amongst education for-profit firms, the trend has been to mergers (often a pseudonym for acquisition) and acquisitions, as in the general market. Evans (2001) notes that 34 organisations merged or were acquired in the first three months of 2001, and that rate has continued throughout the year. It is difficult to make sense of the flurry of announcements from analysts in relation to company activities, particularly as each company is generally described simply as 'a world leader in the e-learning space/industry'. However, it would appear that merger / buy-out activity is designed to achieve the ‘end-to-end solution’ for course management, student information systems, learning platforms, financial and administrative systems, and marketing/alumni functions that universities and the investment analysts are demanding. Some mergers however, appear to be designed to stave off the inevitable demise of small operations.

Where initial interest focused on the teaching and learning capacities of platforms such as Blackboard and Lotus Notes, over the last two years, it is the integration of course management and administrative systems that has dominated the e-learning industry. Thus attention has moved to e-commerce and e-business components of university systems, where the focus is on streamlining student interactions with the institution. Some analysts such as McCrea, Gay and Bacon (2000, p.5) argued that course management systems needed to be scaleable from five to five million users. However, the difficulty is that such systems are not simply digitisable: they also involve live and complex student questions to potential providers, and often these are not answerable on an FAQ page, as Western Governors found (see BBE Report, 2000, p.47). Students want to speak with advisers when they are making a large tuition investment.

The most prominent collapse in service providers occurred with Pensare, with major repercussions for one of its university partners. Duke University's School of Business was one of the first to offer online MBAs. These were well designed, offering not a central curriculum taught by casual adjuncts—the ‘cheap’ e-learning approach—but online teaching from the ‘star professors’ along with face-to-face sessions at intervals during the course. It offered 24/7 technical support, and boasted low attrition rates. Fuqua had carefully selected Pensare, in 1999 one of the leaders in e-learning platforms and software, to buy in the expertise they needed to enter the business of borderless education.

Early this year, when Fuqua had 200 enrolled students, Pensare collapsed in Chapter 11 bankruptcy. It appears the only assets they had were the programming and the name. The system is compliant with the IMS and SCORM standards, but translation to another operating system is expensive and time-consuming. Fuqua was faced with a critical decision: buy the asset itself, along with some staff, for US$1.05 million, to maintain their programme, and hope they could recoup the cost by licensing or on-selling it to other institutions, thereby entering a business they wanted to avoid as 'non-core', or limp on through the drawn-out Chapter 11 process hoping that whoever bought Pensare's platform did not decide to close it down, or increase the price. Part of the original deal brokered by Duke was equity in Pensare (which they have also now lost), in return for a license to on-sell Fuqua’s courses. In August, Duke announced that it had purchased the software, IP and its own courses from the company. Pensare's bankruptcy has also affected the
University of Pennsylvania’s prestigious Wharton School of Business: a single module Pensare were developing for them was behind schedule by two years.

What is obvious is that neither partner had made contingency plans for the sudden failure of the other. The industry rumours were that Pensare was in trouble in 2000 because of deeply discounted pricing: Terry Hilsberg (DETYA Online education Conference, Gold Coast February 2001) commented that the company would sell him subjects for $100 on sufficient volume, although their standard price was listed at US$300–600.

The exclusively-online bookstores have also fared poorly: Bigwords.com lasted four months, despite the 800 000 daily hits it recorded; few converted into actual sales. VarsityBooks.com was struggling at the end of 2000, laid off two-thirds of its workers, and was considering its future (Dirr, 2001, p.112–113).

Other e-learning ventures have had multiple changes of business plans: Campus Pipeline, originally a purveyor of university-oriented advertising and e-commerce for students, has broadened its services into education consultancy. It now offers a three-tier service, including a ‘no-advertising’ portal, in response to university resistance to advertising on their home pages. Where it once offered its e-learning software for free, it now charges.

Corporate Universities Xchange, a consultant research company, was purchased in early 2001 by iUniverse, a technology company in the area of digital publishing, which intends to expand in the area of corporate knowledge management. CUX itself has expanded since 2000, now offering more annual conferences, in increasingly specialised topics such as Online Learning Management and Chief Learning Officer roles. It has launched an Executive Certificate in Learning Management, an unaccredited course of five, five-week subjects, offered through UoP Online, and drawing on CUX’s stable of e-learning and corporate university contacts with Cisco and Motorola. CUX is also launching a ‘research initiative’ called the Customer Education Consortium, a group of large companies which have developed customer education into a business unit, where customers can be ‘trained’ in product usage.

ECollege (previously Real Education), a software and services provider whose clients include the University of Massachusetts, Rutgers and Johns Hopkins, laid off 10 per cent of its workforce in early 2001, after posting a large loss and falling custom. It had attempted to gain early market share through offering individual student scholarships to study online, and through grants to institutions to develop online subjects, US$12 million in all. By mid-2001, it had cut costs and reduced losses somewhat. It remains one of the few companies still advertising that it can ‘create a complete online campus, including training of faculty and administration, typically in 60 business days’ (<http://www.ecollege.com/company> accessed 8/8/01). It has a content partnership with Pearson, as does WebCT.

NETg, a subsidiary of Harcourt General, is now mooted as second only to SmartForce in marketing online technology courses (University Business 4 (4) 2001, pp.13–14). NETg offers an authoring system, a training management system and web hosting along with courseware offered via an ASP arrangement: there are some 600 multimedia products in several languages. It specialises in designing and combining learning objects of 10–15 minutes into one to two hour ‘courses’, with online mentoring an optional extra. Its strategy is to provide its net-based courses at little or no cost via community colleges in
particular, and to persuade institutions to credit and support them. In June, it signed an agreement to provide access to its short courses to UoP, which has the right to customise NETg courseware for UoP’s certificate and degree programmes. Other contracts include state government arrangements such as the Michigan Virtual University IT initiative outlined above. Hence the strategy is to license self-contained and/or customisable modules into curriculum.

SmartForce has signed a large contract with a Chinese software company to supply e-learning to employees. Originally a CBT-based company, SmartForce has migrated many of its offerings to the web, with content development in business and interpersonal skills, although a large part of its business is in vendor-specific product training, such as Windows 2000 and Novell NetWare. It also has an agreement with Microsoft to create an online community for the 600 000+ Microsoft Certified Professionals around the world. Both the US Air Force and the US Army are clients. It generates more revenues than its six rivals (Docent, Saba, DigitalThink, click2learn, Centra Software and SkillSoft) combined.

DigitalThink has now announced its buy-out of LearningByte International, a courseware company specialising in the automotive and travel sectors. DigitalThink has previously concentrated on delivering electronic business training, and uses an ASP model to give its clients access to its web courses. The LearningByte platform allows material to be delivered over a company’s intranet, allaying security concerns.

Click2learn, originally an e-learning portal, was one of the early victims of the techwreck; it struggles on, with its share price in August 2001 near its all-time low, notwithstanding major contracts with Eastman Kodak, Accenture (previously Andersen Consulting) and Century 21 Real Estate Corporation. Like most of the companies attempting a B2C (business to individual consumer) model in its early manifestation, such as the failed EduPoint.com and Headlight.com, click2learn found its 30 per cent commission fees could not deliver profit.

The company has had more success with corporate clients than with the education sector, and has attracted some attention for its Aspen Enterprise Learning Platform, which seeks to overcome the problems click2learn perceives with e-learning: long implementation times, incompatibility with learner management systems, high dropout rates, and uninteresting generic content (<http://home.click2learn.com/pr/aspen.html>; accessed 8/8/01). Its Ingenium platform has been selected by Microsoft for that company’s Voyager Learning Center, established for Microsoft’s sales workforce training, partly because it allows integration and tracking of both instructor-led and web-based training. It hopes to be profitable by March 2002.

In October 2000, Stokes, Evans and Gallagher (2000) argued that Blackboard <http://www.blackboard.net> was the dominant company in the platform/course management systems market in terms of US market penetration, cash position and key partnerships, with WebCT just behind. However, the analysts warned that the company’s pricing was too low, a function of its determination to gain market share at the expense of immediate profit. Indicative of the trend to ‘total solutions’, the company has moved from offering a course management system to a total platform service through its purchase of iCollege and CampusWide, e-commerce and management firms. Blackboard is predicting that it will be profitable by the end of
2001, and is taking a cautious approach to overseas expansion. The company has also reduced staff numbers, and redeployed staff away from sales to support, recognising a weakness in its over-emphasis on sales when universities needed integration of their systems and advice. The company also recognised that ongoing service was a more sustainable income generation approach than product supply. Blackboard has benefited from investment by publishers AOL and Pearsons, as well as Kaplan and Microsoft, in yet another example of strategic positioning in the education business.

Saba Software is in the business of learner management systems for corporations, from identification of individual employee needs to e-commerce purchase of learning products to tracking of employee progress in learning goals. It also sells programmes for student registration and allocation of classrooms, making it a potential vendor in the higher education sector.

While tutoring services such as those traditionally provided face-to-face by Sylvan continue to thrive in the K–12 arena, 24/7 online tutoring has emerged as new service in higher education, via such companies as smarthinking, which targets for-profit and distance providers, as well as community colleges. This company has re-aligned its business model away from individuals to providers, but even they are resisting on cost grounds (Carr 2001b).

Electronic library services have emerged in the public and private sector, with not-for-profit education institutions forming consortia to reduce their subscription and procurement costs through sharing, and for-profit companies digitising journals and other knowledge media for sale or licensing.

Questia <www.questia.com> is a digital library service directed at the higher education student market: its strategy is to provide search, cut-and-paste, footnote, bibliographic and highlighting functions of its 35,000 texts and 'several thousand articles' for $10.00 per week to higher education students in the US. Since many universities now offer a similar service in texts and journals used by their own students, the success of the venture is questionable, with some publishing consultants pointing out that there is no standardised technology platform, and no consumer demand, except for article-length materials (Los Angeles Times online, August 6, 2001, <http://www.latimes.com/business/la-080601ebooks.story>, accessed 10/8/01). Questia has four main competitors, including Bell and Howell-owned XanEdu and eBrary, which target different segments of the digital library market. By August 2001, Questia too was laying-off staff and foreshadowing greater losses. It lost a major competitor, netLibrary, to Chapter 11 bankruptcy in November 2001; that company's assets were sold to the non-profit Online Computer Library Center (OCLC), which has announced that it will continue to operate the business as a for-profit unit.

For-profit digital libraries thus have a questionable future. Proquest, for example, owns the copyright of thousands of newspapers and periodicals, as well as out-of-print books, but has digitised less than 10 per cent of its property to date, which has limited its sales ability. It part-owns the K–12 e-library bigchalk, which lost US$45 million in 2000, because the public school system could not afford subscription to its e-library service.

However, the activities of publishers bear some consideration in assessment of the business of education. Their strategies in relation to e-business and e-publishing
have not necessarily proved profitable to date, but their purchases have flagged their strategies, as they acquire a range of smaller and unprofitable ‘complementary service’ entities.

Although University Business’s editor Scott Berinato was promoting HungryMinds as worth watching in March 2000, some six months after its official public launch, the company’s ‘eyeball aggregation’ strategy, even its preferred spot as education link on Yahoo’s portal, have proved unsuccessful. Vendors, including universities such as University of Maryland University College, USQ, and OnlineLearning.net, the for-profit spin-off of UCLA, paid to feature prominently on the HungryMinds site with HungryMinds receiving a commission on enrolment, although the site also had links to ‘non-partners’. It survived a near-death financial crisis in late 2000 through a buyout by publisher IDG Books, publisher of the For Dummies series, with IDG retaining the HungryMinds name, and the loss-making hungrymindsuniversity.com. However, it could not survive the US slowdown of 2001.

In August, HungryMinds was bought out by publisher John Wiley & Sons, specialising in scientific, medical and technical areas. Wiley paid US$90 million for the company, which has debts of $92 million (CHE online edition, August 15, 2001). Wiley hopes to license its existing online content and extend its digital library. Wiley also plans its own new distance projects, including a faculty-resource network to train academics in online instruction, although public universities such as the University Of Maryland, Baltimore College already offer free programmes in online teaching.

Pearson Education’s online division doubled its 2000 half year losses in the 2001 half year, to £43 million. Its PLC Learning Network, a library service operating in four continents, and also offering free online lesson plans for teachers, and homework help for students, lost £83 million in 2000, on revenues of £3 million (THES, June 29, 2001, p.14). In consequence, it has withdrawn as a joint venture partner from its bid for the UK e-university, while flagging that it retains an interest in marketing matters. McGraw-Hill launched its Lifetime Learning division with great fanfare, focussing on business skills and supervisory training using its own digital content. Lifetime Learning closed in early 2002, with McGraw-Hill writing down assets in its education unit and its media and information unit; the Vice-President of Communications observed that ‘people weren’t looking for off-the-shelf content but an end-to-end solution’ (ASTD Learning Circuits January 2002 (<www.learningcircuits.org/2002/jan2002/newsbytes.html>; accessed Feb 5, 2002).

Columbia Teachers College President Arthur Levine observed throughout 2001: ‘If I were asked to name my biggest competitor, it wouldn’t be Harvard or Stanford. It would be the Pearsons and McGraw-Hills’ (‘Privileges Lost, Responsibilities Gained’ seminar, June, 2001, NY). Neither Pearsons nor McGraw-Hill appear to merit that fear at present, although Pearsons may remain committed for the present to providing educational materials and services at all levels.

The potential here is best seen in the activities of a more aggressive US publisher, Thomson.

Thomson Learning <http://www.thomsonlearning.com> of Connecticut, a division of Thomson Corporation, Toronto, has emerged as the most aggressive of the new service companies in higher education and e-learning.
Its original publishing interests in law and accounting have been augmented by its capacious investments, for example its majority investment in WebCT and Prometric, and consequent interest in the GMAT/SAT test market, as well as English language testing, and its high profile partnership with Universitas21. It has also purchased a large Mexican publisher as part of its overseas expansion into the Spanish language South American market. After federal legal investigation into monopoly positions and foreign investment rules in the UK and the US, it completed a purchase of the Higher Education division of fellow publisher Harcourt, and in mid-2001, closed down Harcourt’s loss-making online college, a potential rival to its U21 venture. However, under monopoly regulations, it is required to divest the college textbook component of the Harcourt purchase, and Harcourt’s computer-based testing system.

Thomson finalised the Universitas21global partnership in September, with a business plan targeting the Asian and later, the Latin American market, and Masters degrees in IT and Business. The intention is to offer online award courses, targeting both corporations and individuals. Initial enrolments will not be taken until 2003, in Malaysia, Hong Kong, and Singapore. Thomson also announced that New York University and the University of Virginia would join the consortium. Notwithstanding the reputations of the individual university members, building the international educational brand name of U21global may prove challenging, even with Thomson’s global publishing and distribution systems.

Initial programming and staff will be sourced from Thomson’s textbook division, as well as from 100 e-learning subjects already developed and acquired from the buyout of Harcourt General’s higher-education holdings (Wall Street Journal online, 20 August 2001). This internal commissioning of the U21 learning materials avoids any contention about intellectual property with member university staff. In terms of market domination, Thomson will have a guaranteed outlet via U21 members for its virtual and physical texts, and its learning environment platform, but it is unlikely to restrict its sales to U21 students.

This will force further concentration of the text market, and of curriculum globalisation. On such a scenario, Microsoft executive Joe Powell’s prediction for a global Maths 101 (Cunningham et al., 2000) may yet come to pass, driven by a consortium consisting of a publisher and the corporate arms of public universities such as Glasgow and Melbourne.

Moreover, the issues raised by the U21global venture are potentially of serious concern to publicly-supported higher education systems. It is unclear how U21pedagogica, the accrediting body of the U21 universities, can call on sufficiently wide expertise to validate proposed programmes without the deep expertise that a comprehensive university uses in its usual accrediting procedures, which proceed from department level, where the expertise resides, through the various academic bodies of the university. Traditional accreditation procedures, the quality assurance mechanism, and the source of higher education’s real cachet because they directly link to degree-awarding powers, may well come under further pressure, at least in professional areas, one of U21global’s target areas.
One of the most remarkable features of the e-learning industry has been the rash of higher education/e-learning consultancies that have emerged as specialists or as specialist divisions within market analysis firms. WRHambrecht has emerged as a specialist education analyst; its report *Corporate E-learning Exploring a New Frontier* (Urdan and Weggen, March 2000) proved remarkably unprescient regarding the imminent crash, although the report did note that merger and acquisition activity would be high, and companies were looking for end-to-end solutions rather than purchasing from a variety of vendors. The report also suggested aggregation of content, technology and services associated with e-learning. Thomas Weisel Partners, a merchant banker, released its report on e-learning in early 2000 (McCrea, Gay and Bacon, 2000), with major recommendations on companies that provided 'turnkey solutions' to e-learning and knowledge management, especially SmartForce. The report also argued that off-the-shelf generic courses would provide the greatest returns; a year later, this has proved incorrect, because of the demand for customised content, with inevitable cost increases (see below). Few of Weisel’s ‘best picks’ for investment have provided good returns, and several are among the collapses listed above.

The collapse of Pensare suggests that universities cannot take comfort from contracting with the ‘big brand names’ of the technology sector; there is sufficient evidence to suggest that caution should be exercised in selecting service companies. Another specialist service that has emerged is the ‘intelligence report’. Eduventures.com, based in Boston, is one of the new entities that have joined the more longstanding Gartner Group and Corporate Universities Xchange. Eduventures markets to Australian institutions, providing an ‘Observatory’ style web-based bulletin of activities in the e-learning market, but focuses on business moves in service companies. It has a three level service, with universities paying about US$9800 p.a. for the second level of information: a weekly bulletin, and longer reports on trends. Eduprise <www.eduprise.com/public/news> is another service with an open and subscriber news service, along with EDUCAUSE, a non-profit organisation dedicated to the incorporation of information technologies in education <http://www.educause.edu/pub/edupage/edupage.html>, which operates the Center for Applied Research <www.educause.edu/ecar>.

In summary, service provision to education exhibits high volatility at the company level as firms jockey for market share and the integrated platform that is ‘the killer app’. Failures and losses characterise the sector, and universities must keep a watchful eye on the financial health of any vendor, as Duke University learned to its cost.

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4 It is interesting to note that this ‘observatory’ information differs fundamentally from that proposed in the EIP report (March 2001) by the present author. Eduventures provides ‘market intelligence’ for the investor in commercial e-learning products and institutional deals. It is US-focused.
3 Trends and issues in higher education

3.1 The business of education

Notwithstanding the financial challenges faced by both educational institutions themselves and their suppliers over the last five years, the concept of higher education as a business sector has become firmly established. Indeed, one example of this is University Business’s listing of 280 higher education consultants (University Business, 4 (4) pp.35-68). The range of specialist services offered, including financial aid, marketing, minority issues, technology, management, book shop services, libraries and fund-raising, indicates the degree of ‘unbundling’ that has occurred within the education sector. A further indicator is that resistance to the business lexicon, reported in the 2000 report, has almost evaporated: university committees routinely debate ‘product’, ‘brand’, and ‘strategic positioning’ without irony or inverted commas.

Much has been argued in relation to the potential of universities to supplement their income, and work with industry and business through tailoring of programmes and links with corporate training units. Certainly many institutions in the US, as elsewhere, are seeking such business with business. However, according to a Corporate Universities Xchange survey, universities have not become a major beneficiary of corporate university outsourcing. Rather, 37 per cent of contracts are with training vendors, which are more ‘business-savvy’ than universities, and more flexible; only 16 per cent of contracts involve universities (Chief Learning Officers: Operating education as a business, 2000).

This should not be surprising: not because universities are reluctant to engage with industry in providing short courses or degree programmes, indeed the evidence is to the contrary, but because so much of the company training market (estimated variously at US$ 66 billion (Hambrecht and Co: Urdan and Huggen 2000, p. 3) to a low US$ 26.7 billion (Chen, 2001b) is simply new product training or low level IT upgrade training, as the Sylvan representatives observed in the 2000 BBE Report. Urdan and Huggen (2000, p.13) in fact report that two-thirds of outsourced training in 1999 was in IT, and of this, only a quarter used technology-based delivery. A full 75 per cent of corporate training was still instructor-led in late 1999. The level of such training might be deduced from the largest expanding area of the for-profit sector: 28 per cent of two-year college programmes are now delivered in the for-profits, according to the Education Commission of the States (The Education Industry Reports, August 23, 2001, p.5).

One might observe that IT skills are more properly the preserve of the VET sector, and some training is company specific. Online or video-delivered programmes are nevertheless a boon in such training, since they can reduce the costs of attendance at programmes, typically two-thirds of total training costs (Urdan and Huggen, 2000, p.4).
Strategically-governed universities seeking to find alternate revenue sources via vocationally-oriented programmes are increasingly likely to focus on a niche market strategy, ‘a selected vertical market’, where the institution has a clear advantage through the reputation of a particular course, because so many for-profit providers have entered the market in generic products in narrow fields like business and IT, which were predicted to be the profitable areas.

The University of Pennsylvania’s World Campus, for example, has decided on a select range of online programmes, based on its reputation in specific areas such as Adult Education, and Logistics; it also specialises in shorter Certificate level courses, in recognition of the greater attraction of brief commitments in continuing professional education. Carnegie Mellon has leveraged its reputation in electronic commerce. In Australia, some universities have already implemented this strategy, as the University of NSW has capitalised on its reputation in professional tax education and training <http://www.tax.unsw.edu.au/pe/>, or as QUT’s Faculty of Information Technology leverages its partnership with Cisco through the Cisco Networking Academy Program <http://www2.fit.qut.edu.au/cisco/>.

Obviously, the advantage of the niche course approach is that it concentrates resources and staff, rather than dissipates energy and financial resources across the institution, which is the unfortunate effect of many Australian universities ‘flexible delivery’ decisions.

Alternately, a university could focus on a particular segment of the market, as UoP has captured the working adult with no pretensions to accessing an elite institution, and with the capacity to pay more for convenience. This appears to be an element of the strategy adopted by the Global University Alliance consortium in relation to its online MBA programme.

In the 2000 Report, we observed that a number of e-learning portals has been established to direct potential students to universities on a commission basis. Dedicated commercial sites such as HungryMinds, Edupoint and Headlight have not prospered, partly because so many public sites now list distance education opportunities, and because, as we noted in relation to Western Governors, potential students can go directly to a provider institution’s site.

In the main, universities have now abandoned the use of portals to advertise and bring students to the institution; Penn State dropped HungryMinds and other e-learning portals (the much-touted ‘eyeball aggregators’) which link to enrolment information, because ‘eyeballs do not convert to tuition dollars’ (Bill Minor, Penn State, Virtual University Gazette, June 2001, p6). Instead, Penn State uses professional magazines and targeted advertising to professional groups. Often institutions prefer to offer a free introductory module of a programme, which does not attract a fee unless the student wishes to convert it to credit.

One potentially more promising model is the Monster.com launch of MonsterLearning. TMP Worldwide, formerly recruitment company Morgan and Banks, has developed an online resume service which now claims 74.5 million users, and a search tool which allows users to access a database of 15 000 award and non-award online and class-based subjects in Accounting, IT and Finance.

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MonsterLearning will develop a skills gap analysis feature that will then recommend subjects and programmes from its list to resume posters. Education providers pay membership fees of US$2000 to US$50 000 annually to advertise their wares (Eduventures Weekly Research Brief 14/9/01). However, whether such a directive tool will convert into enrolments is a moot point.

In any event, universities and colleges may be forced by such activities into spending even more on marketing, although the success of such marketing is not guaranteed, as the HungryMinds experience demonstrates.

Other business opportunities in educational services may emerge. E-learning infrastructure and testing companies have been encouraged by shifts in educational policy within the US and other countries towards a greater degree of accountability from individual institutions in terms of learning outcomes. In many US states and school districts, mandated standardised testing at specified grade levels determines funding for schools. Twigg (2001) notes a national trend to standardised exit tests across higher education, calling into question the autonomy of current accreditation procedures, and the quality guarantees given by individual universities and departments. Since most of these tests are conducted by private companies, such as CTB/McGraw-Hill, profitability in this sector is expected to soar; according to most education analysts (for example, Evans, 2001), with concomitant effects on the profitability of software companies supporting the data processing of results. There are clear synergies for publishers acquiring test instruments in textbook and online resource sales, as well as professional development programmes for teachers. For example, Harcourt, a subsidiary of Reed Elsevier plc, publishes the Stanford Achievement Test, the most widely used norm-referenced test in the US, at 15 million students annually. Harcourt has now purchased Classroom Connect, a K–12 provider of both online curriculum materials and professional development for teachers (Eduventures Weekly Research Brief, September 19, 2001), demonstrating publishers' clear determination to cover the testing, publishing and continuing professional development education market.

Although it is to be expected that moves to standardised testing will be resisted in the higher education sector, the pressure of high numbers in a mass education system has already increased the use of computerised assessment items, and the difficulties associated with constructing valid and complex tests in markable digital form, would suggest that such testing might become more centralised and 'corporatised' through outsourcing to specialist firms such as Kaplan and CTB/McGraw-Hill.

Combined with corporate universities' activities in workplace education and training, and the trend already noted here for students to prefer short or non-award subjects directly relevant to their work, such activities might suggest that traditional universities may face difficulty in expanding continuing professional education enrolments.

Other business opportunities have emerged through the certification movement, which has strengthened the positions of testing companies, which can offer secure test premises and systems. National Computer Systems, for example, established Virtual Universities Enterprises Authorised Testing Centres, 700 in all, providing for certificated
testing for Microsoft, IBM and Novell, among other clients. Companies specialising in test preparation for certification examinations have also spawned, an example being the National Pharmacy Technician Certification, and the public float of the Princeton Review, a test preparation company enrolling 100,000 students annually. The latter has not captured market favour since its June float. It too has diversified from its preparation role: in launching Review.com, it offers a portal to information on financial aid, along with links to its commercial activities.

This diversification of business activity within such firms is an indication of the confusion regarding business models that many in the industry are suffering in consequence of the slamming of the door on the equity injections which sustained e-learning service companies until April 2000.

Amongst the non-profit education service sector firms, the trend, as in non-profit universities, has been to the establishment of for-profit subsidiaries. Educational Testing Service, which administers the SAT and Advanced Placement tests, has invested in College Board, which hopes to market recruitment and financial aid information services to students applying for tests via a revamped portal and organising software. Even the philanthropic Sloan Foundation, which had sponsored an online consortium of over 80 colleges and universities (including MIT) offering web-based programmes, tried to market these programmes through the for-profit EduPoint, an aggregator of courses for the corporate market. The latter has not however, been successful.

The ‘shake-out’ predicted by Microsoft’s Joe Powell in the BBE Report was exacerbated not only by the effect of market forces expected in any emergent industry with excessive supply, but also by the ‘irrational exuberance’ associated with an over-supply of capital, and the hype of many analysts’ predictions of profit in a fledgling industry.

A strategy among the survivors is cross-ownership, substantial investment and partnerships, such as that between publisher Pearson and netLibrary, to create (and on-license) digital versions of Pearson’s texts. Pearson has itself customised the Blackboard platform for its CourseCompass digitised text venture. Yet, as analysts such as Urdan and Huggen (2000, p. 11) point out, ‘currently all the players appear to be partnering with each other’, and ‘part of the value of a partnership is its exclusivity’. The same observation could be made of the multiple partnerships entered into by universities themselves: Columbia’s major venture in Fathom competes with its interest in Cardean University, for example, and it is difficult to see how both investments are sustainable. The University of Chicago along with the London School of Economics also appear to be profligate in their partnering.

The BBE report demonstrated that most programming in for-profit, corporate and online providers was in the areas of IT, and Business, and that ‘soft skills’ were difficult to translate into the online platform. Nevertheless, Urdan and Huggen (2000), among others, consider that soft skills training will migrate increasingly to an internet environment. There is little indication of this at present.

Two contra-indications in the business of education are the emergence of open source code for many of the functions currently offered by commercial vendors, and the slow emergence of resource banks of teaching materials online.
The North Carolina State University My-Library Portal Project (<www.hegel.lib.ncsu.edu/development/mylibrary>) allows script downloads in PERL, which may reduce sales as more institutions note the business failures of their suppliers, and either choose to develop their own systems, or choose major suppliers. The Java Special Interest Group, JA-SIG, a research consortium of major universities, develops and shares applications for use in portals amongst the group, but may distribute its software more widely.

Of great interest is MIT’s decision to develop OpenCourseWare, a course development and content project to place 2000 subject resources and curricula, including assignment topics, on the web. MIT will make these freely available for use or adaptation. The cost of the project is estimated at US$100 million over 10 years, with some funding coming from private sources. The decision was announced as an altruistic initiative designed to counter commercial exploitation of the internet, in which MIT had a more than passing interest as a result of its research and application in online technologies. Although staff had been widely consulted via a long sequence of seminars on the issues involved, not all staff are convinced of the value of placing materials online, and copyright issues have risen as a concern. However, it is clear that since this is a university-wide initiative, and staff will be employed to assist academics to place their materials online, ‘co-ownership’ principles will be adopted. The issue is less pertinent at MIT than elsewhere because there is no intention to profit commercially from the venture. Participation is voluntary, but all staff would be expected to progressively move their materials online, and the ten-year time frame seems likely to make this feasible.

Analysts’ reactions to this venture are intriguing: Newman (2001) doubts it will dent the commercial content providers’ business, since simply posting content does not ensure learning, nor develop the necessary learning community needed to ensure student retention and motivation. Such observations are in distinct contrast to their enthusiasm for stand-alone generic vendor products.

A further project, the Open Knowledge Initiative, is being led from MIT, in a consortium of Stanford, Harvard, Wisconsin, Pennsylvania, North Carolina, Dartmouth, and IMS, as well as Cambridge. The intention is to develop a learner management system in open source code for Internet2 <http://web.mit.edu/oki>. Interestingly, OpenCourseWare is not committed to using the OKI platform.

The MIT initiative has not prevented MIT from entering other for-profit online ventures, such as its arrangement with the PBS Business Channel to offer Certificates of Completion (not award programmes) in web-based subjects, Internet Commerce and Supply Chain. The subjects consist of two hours per week of streamed video or video satellite delivery, with an additional four hours per week of assignments, over six weeks. Student support is built in, with email discussion groups and telephone tutoring.

At the University of Maryland, the Faculty Online Technology Training Consortium has assembled a professional development programme to prepare staff to use online technologies, and to share their teaching and learning materials. The course is freely available. The Merlot project (<www.merlot.org>) is a peer-reviewed database of teaching materials, which can be freely accessed by members. The organisation is growing rapidly after a slow start. As the responses to AAHESGIT’s proposed Open Source Professional Development Environment...
make clear (AAHESG-121: 3/10/01), the financial and cultural challenges posed by open source shared resources are immense.

At the same time, ‘the spirit of the internet’ as a vehicle for freely shared research has been asserted by university and public agency research communities.

For physicists, mathematicians and computer scientists, the Los Alamos E-Print Archive (<www.arXiv.org>) has long operated as a free posting and retrieval service for original papers, many already submitted to peer-reviewed journals. Those associated with the database note its altruistic motive, since two-thirds of its ‘visits’ are from outside the US, and it is considered an essential resource for developing country scientists, where the costs of journals are increasingly prohibitive. The founder of the archive intends to take the database to Cornell University, and to expand its offerings into other disciplines: Paul Ginsbarg believes that ultimately, the web could function as a first source, ‘raw data’ archive, freely available, while research articles wind their way through peer review and commercial journal publication (THE S, August 3, 2001, p. 23).

Many academics are now attempting to challenge the commercial publishers’ domination of discipline knowledge and the soaring prices of academic journals. One such challenge is an attempt to begin a series of low cost online social science journals which pay for peer review, but which also remain cheap for subscribers by virtue of their online-only distribution costs: see <www.ellipsis.org.uk>, and CHE online edition, March 9, 2001. Another is the launch of SPARC, Scholarly Publishing and Academic Resources Coalition, which distributes science journals to 180 libraries in four continents. SPARC began BioOne, a network which will publish 40 journals online (THE S June 29 2001 p.14).

A UK initiative, the Public Library of Science, supported by scientists from 170 countries, declared a boycott of major publishers, especially Elsevier, starting September 1. Most publishers have refused the scientists’ demands for free online access to full text journals within six months of hard copy publication (THE S, September 14, 2001, p.5). It will be interesting to observe the outcome.

It is apparent that the imperatives of the business of education collide with the ethos of both the academic and the internet worlds; there is unlikely to be any short-term resolution to the struggle for academic principles of openness and speedy distribution of research and teaching resources, while so many in higher education see the potential for individual gain in their university-based endeavours.

What has become clearer since the 2000 Report is that quality online education programmes from ‘brand name’ institutions have not delivered cost savings at the institutional level. Staffing costs have increased, reflecting both the longer time teaching staff must spend in interactive teaching, and the expense of technical and administrative support systems. The University of Florida’s online MBA students pay three times the on-campus tuition fee, reflecting higher delivery costs and a more intensive and interactive teaching strategy. Both Keller Graduate School of Management and UoP, as noted in the 2000 Report, charge more for their online courses, although the profit margin is greater for their online programme.
Clearly, universities seeking to profit from online programmes face difficult choices in terms of pricing, and pedagogic approach. The mass distribution model of simply putting resources online has not been adopted by reputable institutions, or has not been viable where it was used, and the teaching ‘service’ in the online environment remains the most expensive budget element. This is so even where for-profit organisations, such as UoPO nline and Keller, utilise casual tutor labour.

Some institutions report an extension of their student cohort as a result on online offerings, but numbers remain small. The University of Florida, for example, has a mere 40 students per year in its online MBA (Kansas City Star Online, July 15, 2001), while UMUCOnline’s MBA has 30 students. (It should be noted that in the US and Canada, the mean size of distance classes was 25.23 in a 1999 survey reported in Virtual University Business Digest May 1999.)

One pertinent observation on the education business supports the warning of Jim Mingle of SHEEO in the BBE Report, in his concern about market forces pressing on education provision: ‘the market won’t support research, except in the most applied way, the arts and sciences, small institutions, programmes and fields, and students who can’t pay full price - low income students’ (Cunningham et al., 2000, p.80). Sir James Watson, VC of Brighton University in the UK, in a paper on funding for the education sector, noted that in London particularly, ‘universities with the most progressive social missions are beginning to look like market failures’ as a consequence of low enrolments and students choosing ‘better brands’, as all institutions seek to increase enrolments in a declining market (THES June 8 2001, p.8). A number of UK progressive universities whose focus has traditionally been on marginalised students, comprehensive programme offerings, supplementary learner support, and strong teaching profiles, are facing mergers or closure.

3.2 The borderlessness of education

The conditions that impelled predictions of a borderless education industry in the late 1990s have increased in intensity since our 2000 publication, notwithstanding the failures of many online education ventures. Twigg (2001) reports that 63 per cent of all colleges and universities in the US are already engaged in distance and distributed education at some level, with another 31 per cent planning to do so. ‘National’ companies have become international in focus; international organisations such as the World Bank and the OECD have argued the case for online education and training as a developmental responsibility of donor countries; internet connections have increased even in developing economies; ‘globalisation’ has become a topical issue of concern to citizens and politicians as well as economists. Small scale examples of internationalisation by universities abound, although these are usually at the level of physical programmes: staff and student exchanges; curriculum ‘export’ to a partner institution; and physical ‘branch campuses’ as with Cornell’s planned medical campus in Qatar at that country’s expense; and Sylvan’s purchase of several overseas institutions (see above). The National University of Singapore plans a ‘reverse’ move to the usual pattern: the establishment of a college specialising in IT in California’s Silicon Valley, while the
Indian government reportedly has committed US$14 million to MIT to co-develop Media Lab Asia, to develop technologies of benefit to the rural poor.

Other ventures are in embryonic, even test-tube stage: Universitas21, as noted, has achieved its student and staff mobility aims, but remains in development mode; UoPOnline remains largely a continental American operation. However, higher education has far to go before it can boast of being a global industry, and attaining the level of internationalisation achieved by top US companies, which glean 30-65 percent of their revenues offshore (Moe, Bailey & Lau, 1999, p.48). Yet there is no shortage of contenders for global education provision, with one of the most ambitious being the UK’s proposed e-university.

Further, the US university sector remains in the early stages of understanding globalising influences on higher education, as the Ford Foundation’s 2000 sponsorship of The Futures Project: Policy for Higher Education in a Changing World <www.futuresproject.org> at Brown University demonstrates. A booming economy, a large population, and low unemployment made inward-looking policies and complacency inevitable. However, the changing economic climate is forcing even non-profit institutions to look to expansion and an external clientele.

The US for-profit universities and the now privately-owned GATE remain the major lobbyists for faster resolution of the WTO 1994 agreement on recognising education as a tradeable commodity. There are complex regulatory and international issues involved, which go to the heart of national interests, quality regimes, and funding mechanisms to support the public subsidy of education.

Professional associations such as accountants and architects are already smoothing different national accreditation requirements, and it may be that their moves, shaping as they do higher education curricula, will do more to standardise higher education provision and global education than the ongoing negotiations over GATS. Nevertheless, there remains strong opposition to global education at the labour level, with Education International, a confederation of 300 teacher unions recently reasserting their rejection of the WTO stance (The Weekend Australian, August 25-26, 2001, p.33).

Whatever the truth of statements such as Urdan and Heggens (2000, p.29) observation that ‘The world is hungry for education made in America’, there are few indications of a stampede to the trough. At Pennsylvania State University, where its World Campus was launched to great fanfare in 1998, only 3 per cent of the 3500 annual student enrolments are international, with the great majority from the eight most populous states surrounding Pennsylvania, and one-third enrolled in a non-credit WebMaster Certificate level programme, WC’s most popular programme (Virtual University Gazette, June 2001, p.1).

World Campus also benefited from a US$982 000 grant from the Learning Anywhere Anytime Partnerships (LAAP) programme to develop their courses, with in-kind support from Apple and Sun. Indeed, it cannot be stressed enough how much technological initiatives in US universities have benefited from relatively enormous grants by Australian standards, and from the generosity of philanthropic foundations. The Alfred P. Sloan Foundation alone has provided over US$35 million in grant support for online education ventures since 1992, most of them using an interactive not independent learning model (Mayadas, 2001, p.134).
While some education consultants continue to ‘talk up’ the potential of global markets in education, and organisations such as the World Bank promote the use of ‘exported’ educational products while insisting on at least partial local ownership of the ‘distribution channels’, or local learning centres, other observers are more cautious. Stokes (2001), for example, tellingly places a question mark in his assessment of the potential of a globalised education sector, and his list of 13 major global ‘players’ includes only one company whose core business is degree education, Apollo, owner of UoP. The others are publishers, or training/service companies such as SmartForce.

The challenges associated with global expansion should not be underestimated, notes Stokes, and include the difficulties of intellectual property developed through joint ventures with local companies in states where the legal system is yet to offer protection, repatriation of profits in some regions, as well as adaptation of curriculum. Stokes’ summary does not consider the cultural, pedagogical and philosophical issues associated with distance education in many cultures, as canvassed in the 1998 Borderless Report, although we believe these remain pertinent.

One company has recognised some of the ‘soft issues’ involved in borderless education: Sylvan’s international strategy is to focus not on its content divisions, but on its service operations, since these are ‘exportable’ (Stokes, 2001). Whether they too are culture free is a moot point.

The pull of a global presence in higher education makes membership of consortia of institutions with similar interests an attractive possibility for some in higher education. Consortia have been made possible by internet-based communication, and made necessary by the high cost of multimedia and web-enhanced teaching and learning. Although the majority of these consortia are still national, there is an increasing trend, often led by institutions outside the US but including several US institutions, to international collaboration.

One national example is JesuitNET, a three-year project of 25 US Jesuit institutions, including the long-established distance education Regis College (see BBE, 2000). The Association of Jesuit Colleges and Universities has partnered with IBM to develop a software programme, which can record how students solve problems online, how it might assess online competency-based education (a particular strength at Regis). AJCU will jointly develop online subjects incorporating the particular emphases of Jesuit educational philosophy. Although immediate benefits are expected for the subscribing members in terms of sharing resources and increasing student numbers across the consortium, a longer-term strategy is commercialisation of the software. Blackboard is the platform used.

Eleven British and US research institutions, including the Universities of Bristol, Manchester and Illinois at Urbana-Champaign, have formed the Worldwide Universities Network to bid for a portion of the UK e-university, but there are also plans for a web-based graduate school by 2002.

Partnerships for teaching are another emerging feature, for example, the University of Pennsylvania’s Wharton Business School has announced a partnership with France’s INSEAD campuses in Fontainebleau and Singapore to expand their global continuing and executive education. Franchising and licensing of programmes are
other strategic moves employed in the quest for global expansion. For example, Scottish Knowledge, part-owned by News Corporation, markets Heriot-Watt University’s web-enhanced ScholarTutor <www.scholartutor.com> university preparation programme. The latter has been adopted by the Open University of Malaysia for its foundation Science course.

Some interesting data are emerging regarding the likelihood of long-term interest in global university degree programmes. As many governments begin to respond to internationalisation and globalisation agendas, and students themselves become more mobile, student flows have increased. Although postgraduate study at centres of international excellence has long been a feature of tertiary education, especially for those intent on an academic career, directed mobility programmes are now attracting undergraduate students in larger numbers. UK student numbers in US institutions have steadily increased to over 8000 in 2000, half undergraduate (<http://www.auap.com>). Johnson (2001) reveals that Science and Engineering postgraduates (including IT students) in both the UK and US are increasingly seeing research study as an entrée into the labour force of the host country, with, for example, no Irish students returning to Ireland within 12 months after completion of the doctoral degree, and in the US, low return rates for Indian and Chinese graduates.

This may suggest a strategic motivation on the part of students seeking better employment prospects to seek migration via further studies. This would militate against take-up of online degree programmes, leaving the field to the short coursework programmes also targeted by the corporate and for-profit providers.

Moreover, a number of commentators are noting more determined moves by many countries to develop their own distance learning initiatives. China Central Radio and Television University, for example, with 1.5 million students and a synchronous broadcast model, is now training staff at the Open University of Hong Kong, in an effort to introduce more flexible delivery modes. However, online provision remains a challenge in China as in most developing countries, where computer access is a major inhibiting factor in mass education efforts. Following the January 2001 founding of the Arab Open University, which has links to the UKOU, Jordan’s public Hashemite University recently announced plans for a US$20 million Arab American University for Distance Learning, to begin in late 2002, specifically catering for the Middle Eastern population as well as Arab expatriates; it is to provide a Muslim perspective but to specialise in IT. Although Hashemite currently has only 7000 students, the Jordanian authorities predict the external university will enrol 10 000 students in its first year. Half of the money would come from a private Kuwaiti firm. This announcement of a ‘virtual university’ sponsored by the state echoes the comments made above in relation to state belief in the potential of virtual universities, with assistance from private partnership funding.

Apart from Thomson’s links with U21, there is little evidence of much enthusiasm from private equity partners for global education ventures.

More countries are also imposing stricter controls over foreign distance programmes. South Africa has strict regulations in place for higher education institutions, and India is also in the process of demanding registration of all providers. Brazil has refused to recognise any foreign-sponsored qualifications. In
Malaysia, tax breaks previously available to parents sending children abroad for education have been withdrawn, forcing more students to remain in country, and more to consider the distance programmes set up by government.

There are other cautionary signals in the take-up of global distance education provision.

The first is the questionable demand for for-credit higher education in developed economies in an increasingly fragmented Knowledge Economy.

The growth of the for-profit market in higher education was predicated on a population demographic of advanced economies that suggested that the baby boomer group, excluded from prior higher education, was increasingly recognising the value of higher education for its upwardly mobile aspirations. There were also predictions of higher education participation rates among the bulge of ‘echo boomers’, attracted by the ‘private good returns’ of further education and the increased access available in a mass education system as a result of heavy investment in the university system in the 1970s.

However, recent figures from the UK indicate that the early rush of mature age students to part-time programmes has declined as a result of the introduction of tuition fees, and a buoyant labour market. Goddard (2001a) analyses a Funding Council report, Supply and Demand in Higher Education, indicating that growth in full-time undergraduate enrolment had declined since 1993 despite a population growth in the school leaver cohort, that part-time undergraduate and sub-degree level enrolments had not achieved their targets in 2000, and mature age numbers fell 1995–2000, although enrolments have risen slightly in the new academic year 2001. In the later age group, Engineering and Technology courses enrolments dropped, along with numbers in the physical sciences, with only small growth in IT and medical studies. Non-traditional populations were still not seeking further education, notwithstanding the advent of new institutions and alternate pathways to higher education, and the expanded places in new institutions. Rather, expansion was placing pressure on old ‘brand name’ institutions. The same decline in enrolments was seen in 2000 figures in further education, with drops in both school leaver and adult cohorts, down by 1.8 per cent (THES, August 3, 2001, p. 2). This does not, however, gainsay the demand in the developing world.

The second factor is the limited take-up of exclusively online degree study, even from ‘brand’ institutions (Miller, 2000), as employers question the credibility of solely online programs for developing soft skills (<www.nytimes.com/2000/11/15/technology/CTEDUCATION.html>; accessed 16/11/2000).

A survey conducted by Vault.com, and reported by Phillips (2001) reveals that 37 per cent of Human Resources officials were reluctant to accept online graduate degrees, prompting Cathy Gunn, the Director of the Illinois Virtual Campus, a broker for 62 state colleges and universities, to decry the public perception that e-learning is ‘easier’, and to initiate a massive marketing campaign for distance education.
Recent reports reflect the failure of a supply-driven model, at least in generic online products such as the MBA. At a national US level, online and distance programmes constitute only 2.5 per cent of total MBA enrolments in 2000, with more than half of these in UoP’s programme, reflecting both the attraction of its brand in the convenience rather than prestige market, and UoP’s superior focus on online delivery.

There are several elements in the credibility problem suffered by distance award programmes.

The first relates to the perception that online education, like distance education more generally, is a poor experience:

People have taken to the net quicker than any previous household technology. Still, e-education lags far behind other online activities, such as gathering travel or health information. The promise of e-learning is great; the barriers, beginning with public trust are as many. (Phillips, 2001, p.5)

The founder of smarthinking, the troubled online tutorial company, observed in an interview (Carr 2001b) that ‘some people thought it would be easier to change people’s behaviour than it really is. The technology is there, but the economics, the organisation, and the behaviours of people take far longer to change…. Technology is the easy part.’

Even in non-award programmes, and notwithstanding early claims of massive savings to corporations, few e-learning vendors have been able to verify purported ROI on investment in learning programmes. Indeed Chen (2001b) in his Eduventures Report on Return on Investment, argues that only one case was able to demonstrate convincing ROI for e-learning programmes, and only four companies, IBM Mindspan, DigitalThink, Docent and Saba, were able to assist corporations in even evaluating ROI. In corporate America, the effectiveness of e-learning was still largely determined by take-up across the organisation, and reduced travel/accommodation costs, not insignificant measures, but hardly reflective of efficacy.

The second relates to online technology itself. BBE (2000) noted that notwithstanding the hype and boosterism attached to online distance education, videoconferencing, television broadcast with audio-response capacity, and teleconferencing remain popular forms of delivery for ‘distributed’ learning, because the nature of such distance modes does not challenge the ‘comfort zone’ of either staff or students, since it replicates the oral/visual lecture/tutorial format. It has been argued that the numbers involved in such delivery modes are higher than those in web-based only programmes (Carnevale and Young, 2001). Shive and Dirr (2001) found that live interactive video remained the most popular delivery mode at the end of the century. Certainly the University of Maine’s distance enrolments reflect a telecourse enrolment of four times its online enrolment numbers, though the latter are growing sharply. Other institutions are making the difficult decision to abandon ‘old technology’ and migrate their video segments to the web, but the demand remains, and the technology is reliable and cheap for those institutions which invested in it in the 1970s. One large education provider, Learning Tree International, insists that no successful business model for e-learning has emerged, with the result that it would remain in classroom-based provision (Chen, 2001).

BBE (2000) noted that non-credit certificate programmes were already emerging as the most likely form of education for the business market, with the promise of the
internet for ‘anytime, anywhere, any place’ study being more attractive for acquiring workplace-related skills through non-credit short courses in the training sector. This observation is supported by the recent work of Cliff Adelman (2000), of the US Department of Education, in his research on certification programmes offered by software and hardware companies through franchise or internal training programmes. One recent indication that online certification programmes may enter Australia outside the established Novell, Microsoft and Sun distribution channels, is the recent announcement by eWebUniversity, an e-learning platform and content provider, that it would partner with San Jose State University to deliver IT certification courses into Australia. Details are as yet very sketchy, but Australia’s shortage of IT specialists has led to perceptions of an under-served market.

This trend to certification is a reflection of the move to knowledge management within organisations, and measurable outcomes from training, although a gap remains between ascertaining that employees have in fact learned something via assessment of their capabilities, and the ROI on training.

However, there may be signs that the certification of IT skills is plateauing as well. The Information Technology Association of America in April released a study <www.itaa.org> When can you start?, showing that since the dot-com crash, the number of job vacancies in IT dropped 44 percent from 1999, although this still left an estimated 425,000 jobs unfilled because of a lack of qualified staff. The report revealed that degrees remained the best job preparation for skills and knowledge in software engineering, database development and technical writing, though graduates of private technical schools offering certificates were preferred by employers for network design and digital media production. More significantly, non-IT companies preferred employees with a degree qualification, while IT companies (those developing IT) ranked certifications at least as highly as a degree. The ITAA pointed out that there are 300,000 more non-IT than IT companies in the US, indicating that the employment preferences of the majority of employers should be a greater guide to work preparation for most students.

In summary, as recession looms in most economies in late 2001, it remains to be seen whether fear of unemployment will translate into a growth in education and training enrolments. Most educators and analysts suggest a surge as unemployed adults retrain, but increased personal contributions to tuition in major economies, and higher tuition costs, may well deter individuals, and as argued above, corporations have resorted to layoffs rather than retraining, and are likely to delay the new product development which drives most company training.

It also suggests exacerbation of the rising threat to VET level studies in Australia, as was suggested in BBE, most particularly in the area of IT skills training.

### 3.3 Staffing issues

In 2000, we noted the growth in the number of part-time and casual teaching staff within US higher education institutions. This trend has increased, with part-timers constituting 45 per cent of staff 1998–99, compared to 40 per cent in 1992–93.
(www.nea.org/he/heupdate/vol7no3.pdf), and salary gaps widening between private and public institutions, and between tenured and non-tenured staff. One US study found that 34 per cent of all undergraduate subjects were taught by graduate students (University Business 4 (2) p.72). In reaction, Teaching Assistants, who are in most cases graduate students with high teaching loads, have begun to unionise at many campuses, for higher pay and lower contact hours, with some success. There is also a large increase in the number of institutions not offering tenured positions, from 8 per cent of institutions to 14 percent over the same period, reflecting the funding pressures on non-profit universities to alter employment conditions. In Australia, the casualisation of the workforce has also increased since the BBE report, with nearly 90 percent of teaching-only staff designated as casual, and 18 per cent of all academic staff (The Australian Higher Education, July 25, 2001, p 33).

Hence the contrast between ‘traditional universities’ and for-profit institutions noted in the 2000 Report has become less stark in relation to the use of part-time and casual teaching staff.

Meanwhile, in corporate universities, staff salaries account for a mere 31 per cent of operating costs (Corporate Universities Xchange e-news 3 (12) 2001), a significant difference from labour costs in more traditional institutions, and an indication that the proportion of institutional costs spent on staffing has some way to go before it reaches this industry level.

The debate on the role of the teacher in higher education has intensified as online methods of delivery have become more embedded into standard programmes. As e-learning providers themselves concede the ineffectiveness of many of their earlier stand-alone and generic online courses, it is more widely recognised that quality internet-based learning requires more than ‘information delivery’ (O’Donoghue, 2000), and depends on the interactive dimension provided by a participating teacher, who provides the dialogue that Laurillard (1993) has argued is essential for education.

3.4 Student issues

‘Convenience’, ‘student-centred service’ and condensed programming are three significant lessons traditional universities have quickly learned from the new providers, as university administrators perceive that higher education is ‘a consumer led market’ (O’Donoghue, 2000, p.3). McInnes (2001) reports on US research indicating an increased instrumentalist attitude to education, which might suggest even stronger growth in ‘no frills’ degree provision.

Almost two years’ worth of experience in student reactions to electronic teaching modes, distributed and online learning, and changes in on-campus attendance patterns, has been accumulated since the BBE Report. Three significant trends can be discerned.

The first is growing evidence of high attrition, reported at 60–80 per cent, in asynchronous non-award online generic programmes in IT and business (Chen 2001), even where these are supported by employers, to the extent that the Masie Center and the American Society for Training and Development surveyed students...
and employers, and considered financial incentives might be necessary (Frankola, 2001). Frankola (2001), of NYU Online, agrees; in her experience, some face-to-face sessions in the course are also vital for completion because of the value students perceive in proximal learning communities. This desire for social interaction may be particularly acute in work-related learning, as suggested by several commentators in the 2000 Report. Others argue that assessment of company training would increase completion (Virtual University Gazette, August 2001, pp.1-5). Both elements of course leach the cost savings that e-learning promised the corporate sector, and eliminate the own-time convenience of asynchronous learning. There is also a growing concern that virtual work-related learning is no panacea for either employer or employee simply because it is ‘anytime, anywhere’, and thus intrudes into already crowded work and domestic routines (Davenport, 2001). However, were assessment attached to company training, it would increase the pressure on education providers to credit their company training into award programmes.

Second, attrition rates in for-credit programmes appear to be more promising: Frankola (2001) reports that Penn State’s World Campus courses have a 95 per cent completion rate, while UCLA have improved their retention rate to 85-89 percent because of the high level of interactivity supported by the University, via both course managers and instructors, and the insistence of the University that instructors undergo five to six weeks of intensive training in preparation for online teaching, as well as a mandated online time of five days a week several times a day to respond to questions and guide discussion. At the associate degree level, the figures are not so encouraging: in California, the community college sector reported distance completion rates 13 per cent below those for on-campus programmes (<www.aft.org/press/2001/083101.html>; accessed 3/9/2001).

Third, there is some evidence (Clark, reported in O’Donoghue, 2000; CHE, March 30, 2001, p. A41) of the emergence of resistance in on-campus undergraduate courses to decreasing contact time, larger classes and lack of ‘real’ laboratory classes, the transactional aspects of education conceived as more than information delivery. Students, it appears, want the choice of flexible attendance, but are unhappy when face-to-face sessions are reduced.

Of critical interest to university funding agencies and managers in Australia is the issue of student response to online forms of learning, and student expectations of on-campus study. Flexible delivery of programmes, made possible by the new technologies, have combined with changing social attitudes and patterns of connection among school leavers to alter the nature of higher education. It is therefore difficult to extricate the extent to which online education provision, sometimes confused with flexible delivery, is a response to actual demand by students, or a supply-push mechanism by commercial vendors and university managers seeking supplementary income and reduced costs (Tait and Mills, 1999). Most likely, it is both, although as indicated, students in the main are concerned at the prospect of diminished choice in relation to on-campus classes.

McInnes (2001) reports ‘disengagement’ from the campus experience consequent on increased paid work commitments (42 per cent of students reported paid work of 11-20 hours per week), increasing access to digital resources, and flexible
programming. McInnes warns against a simple response to ‘student demand’, which might abrogate university responsibility to determine optimal curriculum design and learning experiences at the undergraduate level. Yet universities must also resist the temptations to ignore the reality of student lives, and to persist with a ‘romantic’ vision of the ideal student experience.

One might posit a shift in university attendance and engagement, which more closely mirrors that of the old apprenticeship model of blended work/study, particularly as universities themselves seek to incorporate more workplace-based training in their professional programmes. This may have the effect of establishing lifelong learning, conceived as a constant renewal of work skills, as a standard education ‘system’.

More immediately, it is also likely to extend the period of enrolment for undergraduate and postgraduate students, and increase administrative costs by spreading students over a longer time to graduation, unless units are reconceptualized via curriculum design to the short course, six-week UoP model. For McInnes, one implication of a lack of student engagement is the necessity to re-assert the value of a coherent and cohesive curriculum, which, as noted in the 2000 Report, is increasingly challenged by the interpolation of short course proprietary syllabi into degree programmes, and credit transfer, as providers seek to attract the adult market and its prior learning.

### 3.5 Intellectual property issues

The confusing and complex state of IP in US universities is well-exemplified in an interview with Kenneth Salomon in University Business (4 (2) 2001, pp.29–33, 75). Salomon argues that academia is currently protected by exception from the work-for-hire rule that assigns copyright to the employer if the employee is tenured, or the digitisation of his/her knowledge is performed as part of expected work duties. However, the situation is vastly complicated by the input of other institutional employees into the digitisation process, as, for example, graphics illustrators, as well as the matter of students copying notes and then posting them for sale on the web. For educational institutions, the critical issue is to agree and implement a policy on ownership and/or use of materials, including the right to amend any future use of the materials, and right to use after the originator leaves the institution. Some universities such as the University of North Texas now have agreements allocating royalties to staff producing online materials, although the amount depends on how much assistance was provided by the university. In the BBE Report, we documented the Arthur Miller case at Harvard, where Arthur Miller produced teaching materials for another Law School, and Harvard objected. Salomon argues (op. cit. p.33) that this ‘wasn’t a copyright issue per se; it was a conflict of interest and conflict of commitment to Harvard’, that should have been addressed in terms of employee exclusivity arrangements.

5 Further to this theme, futurist Tom Bentley, director of a US think tank, predicts that compulsory schooling will soon finish at 14, and teenagers will take an online ‘learning package’ while working, accessing neighbourhood health and education centres for social and computer support (Campus Review, May 23-29, 2001, p.6)
At the institutional level, a major breakthrough in digital copyright law has been achieved with the TEACH (Technology, Education and Copyright Harmonisation) Act. This allows only non-profit educational providers to digitise materials that would normally be used to support face-to-face classes for limited-time online access by bona fide students. For-profit providers will continue to pay for copyright, which is a further reason many are anxious to partner with e-publishers. The onus then is on individual universities to negotiate with employees regarding the ‘ownership’ of teaching materials. However, the broader issues associated with IP in borderless education remain a matter for caution.

### 3.6 Curriculum issues

A number of commentators in the 2000 Report flagged the issue of curriculum control as critical to the future of public higher education as corporate, virtual and for-profit entities expanded, and as non-profit educational institutions struggled with falling public funding. Watkins (Council of Higher Education Associations, CHEA) and Mingle (SHEEO) noted that thus far, the community college sector was most susceptible to corporate influence on curriculum and pedagogical practice, since the mission at VET level is to be industry-responsive, but also because corporations could exercise direct financial pressure.

However, there is now growing evidence of curriculum change within universities, both in response to student demand for incorporation of job-relevant certifications and of vendor deals, which provide equipment in return for use of their certification programmes.

Hence proprietary, corporate or for-profit institutional online training programmes are incorporated into accredited degree programmes, as the California State University has agreed to do for a networking training programme developed by Alcatel, in return for lab equipment and teaching staff from Alcatel. Other institutions, such as Colorado State and Georgia State, are incorporating such proprietary products as SkillSoft’s web-based self-paced offerings, in their continuing education courses. The same trend is already present in Australia, in such programmes as Cisco certification as a component of the QUT IT degree.

The President of one community college which welcomes NETg’s free courseware distributed through Michigan Virtual University, recognises the issues this raises in terms of the integrity of curriculum, and accreditation:

> Colleges and universities must learn to adjust and make decisions about how to incorporate programmes like this into their credentialing processes. This is not an isolated incident. It’s the dawn of a new age in high-quality, web-based curriculum that’s commercially prepared (University Business 4 (4) 2001, pp.13-14).

Such deals raise the issue of quality and coherence of the curriculum, as well as who teaches these components, and flags the entry of more complex curriculum decision-making at departmental level, as staff consider whether what amounts to training leaches the cognitive capacities of students because of the performative emphasis of certification. The issue is explored more fully in an American Federation of Teachers report (Kriger, 2001).
The issue of curriculum integrity is also explored more fully in Kriger (2001), who warns:

Administrators of online programs assume consumers want a bite-sized ‘point and click’ accumulation of facts rather than a more reflective, less easily measured search for knowledge. It’s also wrong to assume that all student customers know entirely what they need in an education program and what kind of material will lead to the desired educational product.


Credit transfer, as suggested above, is a further challenge to curriculum integrity. UoP reports that their incoming students have accrued as many as five unit equivalents from different institutions, and equivalence is determined at institutional, not faculty level. This would suggest that the previous reliance on individual academic expertise to ensure the quality of degree composition has been further eroded, and that we must seriously question the notion of what a degree in a particular discipline might mean.

To date, little attention has been given to curriculum matters: O’Donoghue (2000) and Twigg (2001) are two of the few who note it as critical in the development of private/public partnerships and consortia of providers. Certainly we can discern a major shift away from the traditional ‘input measures’ of quality such as qualifications of the faculty teaching subjects, and the number of books in the library.

Further, the increase in global university consortia, agreeing on common core curricula, places further pressure on the academic preference for distinct and self-generated curricula within individual institutions. As memoranda on joint curricula are agreed at the institutional level, the ‘not-invented-here syndrome’ becomes increasingly harder to maintain at the individual academic level.

When curricula are shared between institutions, supported by major publishers, and the design and development component of academic work becomes more centralised (as in the for-profit institutions), greater attention will focus on the role of teaching as a central role for academics, and the issue of training for, and the accreditation of, teaching will gain greater prominence in the higher education context.

### 3.7 Technology developments

Many of the technical problems associated with online learning remain, notwithstanding predictions that interoperability of various platforms would be achieved quickly, and bandwidth would increase dramatically in response to demand (Urdan and Huggen, 2000, p.6).

Where in 1999 and 2000, debate swirled about the efficacy of ‘distributed’ or distance education via new technologies, and whether or not cost efficiencies could be achieved, there is now growing recognition that quality education on the web will not significantly reduce costs, that hybrid modes are required for retention of students, and effective learning, and that early predictions of productivity gains, improved quality of learning outcomes, and cost reductions have proved difficult to demonstrate with any validity, when each is added to the ROI equation.
However, Urdan and Weggen (2000, p. 28) report a 14 per cent decline in interactive web-based training in 1999 over the previous year, indicating that as margins tightened in the e-learning market, vendors were reverting to static, generic and asynchronous uses of the web and the internet. The very aspects of online learning that promised to revolutionise learning, and that most experts recognise as fundamental to motivation and retention, such as live interactivity from a distance, customisation, streaming media and so on, have become prohibitive in terms of cost.

The critical issue is that interactivity is thus far not scaleable. While the notion of '24/7' service has become standard rhetoric, the reality in most online programmes is somewhat different: certainly access to digital resources is common on a continuous basis at most institutions, but few have managed the resourcing necessary to enable day-long tutorial or technical assistance.

As indicated above, the major technological challenge for most institutions is integrating the various software programmes for different functional areas of their operations. AAHESG1T 115 (21/6/01) suggests that 'seamless integration' of various campus systems 'may remain a receding mirage'. It has certainly occupied far more administrative time and far more of the operational budget than tentative moves into online teaching, although media attention has focused on the more dramatic change signalled by e-learning.

The Connecticut State University system, for example, is still struggling with implementation of a software programme that has consumed five years in development and implementation, and is several million dollars over budget (The Chronicle Review April 27, 2001, p. B17). The costs of implementing administrative software remain huge: the University of British Columbia has spent C$12 million over five years to introduce PeopleSoft (Tony Bates, UBC, pers.comm. March 2001, Vancouver). Canadian universities entering the overseas market report ‘tectonic clashes’ between electronic administrative systems designed for local markets being unable to incorporate international funds transfers, and student complaints regarding administrative systems outnumbering academic complaints by 10:1 (David Porter, then OLA, pers.comm. March 2001, Vancouver). Furthermore, the range of services demanded by a ‘client centred focus’ in universities has changed, as students demand faster access to resources, the ability to transfer funds electronically, and the ability to access tuition aid programmes online. Administrative systems must be adapted to accommodate online teaching and learning, and this is proving difficult. Consequently, costs have increased because universities must maintain dual paper/digital systems. There are other difficulties of a cultural nature: Gartner Group Vice President Michael Zastrocky reports that only 2 per cent of US non-profit education providers use an external host system for information systems because of continuing concern about security issues (CHE online edition, August 21, 2001).

Although a number of analysts, for example Hambrecht and Co, predict the demise of the CDROM and video as delivery mechanisms, publishers do not seem to agree: core textbooks increasingly come as hybrid products of text and accompanying CDROM, with hyperlinks to a website for updates and
resources. Nor is there any indication of students spurning print text: indeed Prof. Shirley Alexander's current research at the University of Technology, Sydney, indicates a strong resistance to screen reading, and a strong desire to print any screen information (ATN WEXDEV Forum, August 13-14 2001, UTS, Sydney).

Publishers such as Thomson and McGraw-Hill are investing in e-books, through deals with web publishing software makers such as Adobe Systems. Adobe's eBook University initiative of mid-2001 involves a partnership with nine institutions, including MIT's Sloan School of Management, the University of Maryland University College, and the University of Wisconsin (the latter two amongst the largest distance education providers in the US), to provide texts through Adobe's eBook Reader. Students will be able to download the Reader for free from publishers' websites, or a bookstore with an online purchase of the text. Adobe has secured agreement from all major publishers for the initiative, which promises cost savings on warehousing of physical texts and distribution costs. However, student acceptance of e-texts is not a foregone conclusion.

At the same time, digital publishers are looking to for-profit providers to encourage e-books. Apollo has signed an exclusive agreement (increasingly rare in the for-profit provider world, where multiple relationships seem common, as noted above) to use Microsoft Reader, and to ultimately offer all texts digitally. Analysts (e.g. those in The Education Industry Report, July 24, 2001) suggest that the adoption of a proprietary reader platform is crucial to penetration. However, publisher-exclusive deals with one reader platform would seem business suicide.

Over the last two years, new technological developments have focused on the programming of learning objects, and digital publishing. Both are in the early stages of standardisation and commercial application. It is beyond the scope of this report to comment on the astonishing technical requirements for successful metatagging and learning object applications. Porter (2001) gives some idea of the scope of this technology. A critical issue in the digitising of learning resources remains the cost factor, and 'legacy issues'. As museums and universities seek to make their rich resources available to a wider public, the costs of the process, and the maintenance of dual physical and virtual collections, along with the fact that there is no current solution to changing technical platforms and the preservation of current digitised resources, are proving major challenges (EDUCAUSE Review, September/October, 2001, pp.58–9).

One ironic footnote on technological developments might suggest some caution on the part of universities introducing wireless internet access on-campus. Two private US colleges, Bentley and Babson, have been obliged to block internet access to their lecture theatres during classes, because students were surfing and emailing rather than 'paying attention' (Excite News, <http://news.excite.com/printstory/news/ap/010925/03/wired-classrooms>; accessed 1/10/01). A further caution is the increasing tendency of US students to download huge video and music files, jamming servers, increasing university costs, and potentially opening the university to copyright breaches. Student demand has forced many universities such as the University of Denver to

3.8 Quality assurance issues

A major issue in the area of policy remains the issue of quality control of degree study as the internet makes cross-border provision of education relatively easy for dodgy providers. This is not an issue confined to Australia, but it is one that has thus far found no simple solution; Twigg (2001, p.2) describes online quality processes as ‘chaos’ from a student perspective.

Contreras (2001) provides a brief update on the activities of some of the exposed diploma mills; for example, Columbia Pacific University was closed down in California, was re-established in Montana as Columbia Commonwealth University, and has also been ‘accredited’ in Malawi. Montana does not legislate private provision of higher education. Variations in state regulations allow questionable operators to locate in states such as Wyoming and Hawaii, which are lax in their regulatory environments. One institution, Preston University <www.preston.edu> has a majority of its students in Pakistan, but is based in Wyoming. Another previously fraudulent operator, La Salle University in Louisiana, was bought out and ‘legitimised’ in 1997 after nearly 10 years’ operation. It established a sister provider, Orion College, which however, has attracted fewer than 100 students by end-2000, prompting its chief academic officer to note ruefully: ‘When you go legitimate, the sad thing is that it is not a good thing for the money situation’ (CHE, March 23, 2001, p. A36). Not even the imprimatur of an accrediting agency in the US is guaranteed to provide consumer protection: The Chronicle of Higher Education (March 23, 2001, p. A35) lists three spurious accrediting committees, including the American Council of Private Colleges and Universities (<www.acpcu.org>).

It is evident that neither legal nor systemic regulatory systems have been able to keep pace with the rapid advances made in technology over the last decade. The Napster case is a prime example.

The e-learning and for-profit education environment has demonstrated that current quality assurance systems are inadequate to deal not merely with unscrupulous providers, but more significantly, that they are not addressing the many different issues involved in distributed learning. This has prompted organisations such as the Commonwealth of Learning and the Pew Learning and Technology Program <www.center.rpi.edu/PewSym/mono3.html> to convene symposia to tackle the many issues involved in quality assurance.

At the same time, the number of ‘best practice guidelines’ for online education provision has proliferated. Labour organisations such as the National Education Association (<www.nea.org>) and the American Federation of Teachers (‘Distance Education Guidelines for Good Practice’, <www.aft.org/higher_ed/technology>) have outlined their approaches, along with regional accrediting bodies (such as the Council of Regional Accrediting Committees), and WICHE (<www.wiche.edu/telecom/Guidelines.htm>).

What is clear is that traditional quality assurance systemic measures are no longer adequate for the new educational environment, with its blurred borders between informal and formal learning, online and on-campus provision, and a greater emphasis on outcomes-based assessment.
4 Policy implications for Australia

The 2000 Business of Borderless Education study concluded that:

The evidence suggests that the development of corporate and for-profit higher education will develop differently in Australia than has been the case in the United States. It does appear unlikely that there will be a tidal wave of new providers emerging in Australia in the short-term. While it is conceivable that new providers could target the international student market and, in particular, the South-East Asian markets which are of prime importance for Australian universities, there is as yet little evidence that they intend to do this in the near future, nor that they have the capacity to overcome the many practical obstacles involved. Nevertheless, it is apparent that competition in the higher education for working adults and continuing professional education will intensify, both among established universities and from new providers.

This report should be used primarily as ‘market intelligence’ by the various organisations which have a stake in the future of higher education in Australia. In particular:

• for government, the key public policy questions concern quality assurance and accreditation, and the potential impact on access and equity of the growth of new forms of higher education;

• each university needs to assess the potential impact of the development of corporate and for-profit universities according to its own mission and goals. For universities, which wish to tackle the working adult and corporate education markets, the operations of new providers provide an example of competitive practice, albeit one, which may not always be consistent with other goals of the university. For all universities there are complex policy issues raised concerning the ownership of intellectual property and the use of staff expertise by other organisations; and

• for academics in Australian universities, the implications of this commercialisation are profound. The new providers are not bound by the norms or ideals of traditional higher education such as collegial governance, linked research and teaching, or academic autonomy and control. Traditional universities have demonstrated that they can successfully operate in a limited part of the lifelong learning arena, that involving award courses and the offering of some short courses. However, new approaches may be needed to expand, particularly in responding to the needs of corporations for tailored education and training. The professional operations of the new providers, particularly in relation to teaching, may offer some valuable lessons.

(Cunningham et al., p. 153)

In the intervening eighteen months much has occurred in the for-profit and corporate education sectors, however the broad conclusions and policy implications remain largely unchanged. If anything, the observation that new providers would not be swamping Australia’s domestic or overseas markets has been underlined by the downturn in profitability of many of new ventures, particularly those relying
heavily on virtual forms of delivery, by the flurry of mergers and acquisitions which have taken place within the US market, and by the relative position of the Australian dollar.

4.1 Implications for government

The principal issues for public education policy arising from this field remain in the area of quality assurance, regulation and accreditation, and on matters of access and equity. All of these matters are also related to the outcomes of the General Agreement on Trade in Services (GATS) and WTO deliberations.

The full implications of GATS for Australia are beyond the scope of this update, but it would appear that the Department of Foreign Affairs and Trade (DFAT) is currently focussing on issues of accreditation of professional areas such as law and engineering, without considering that higher education policy intersects with cultural policy settings, and the strong growth areas of creative industries and media (Spurgeon, 2001).

WTO deliberations of course are significant not merely for the effect they will have on the liberalisation of barriers to overseas providers intent on establishing physical facilities in Australia, but also for how online educational services will be defined in GATS. As Spurgeon (2001) has pointed out, ‘trade in education’ online blurs the boundaries of ‘trade in audiovisual and telecommunications’, the technologies and platforms through which educational services are increasingly likely to be delivered.

Since the last report, a framework has been developed which includes national protocols for accreditation of new entrants and the establishment of the Australian Universities Quality Agency (AUQA) to conduct audits of Australian higher education institutions. AUQA has released draft proposals for its operations, and may also contribute to the ongoing development of criteria for accrediting new universities and the operations of existing overseas institutions. A key issue both for AUQA and for related agencies in other countries is the lack of clear guidelines for assessing the quality of online education. A recent report released by the US National Governors’ Association points to the potential benefits of expanding distance education, but notes that conventional methods of quality assurance are inadequate for online and distance education (CHE online edition, July 6, 2001).

As noted earlier, public officials in the UK and the United States remain interested in coordinating and developing further the range of distance education and online higher education activities within their jurisdictions, and in looking to international opportunities for expansion, notwithstanding the difficulties experienced by other publicly-driven ventures such as Western Governors University and California Virtual University. The Australian Labor Party has also announced as part of its policy platform for the 2001 Federal election that it would establish an Australian online university. However the details of its operations have not yet been established.

While there are sound public policy objectives in seeking to strengthen the online capacity of Australian higher education, and in seeking to broaden access to higher education to groups traditionally under-served, the experience to date from
overseas suggests that public support of existing infrastructure and provision is likely to be more effective than the development of separate structures, or even gateways, which raises complex issues of governance, financing and certification. This is particularly the case for Australia, which has a longer tradition than the United States and the United Kingdom of providing high quality distance education, and where there is in place an extensive and rapidly expanding online higher education system, which appears to be of relatively high international standard. In any event, a structure already exists in the form of Open Learning Australia, which could function as the basis for an online provider.

Moreover, as indicated in the 2000 Report, the costs of the for-profit online educational providers in the US would not appear to support other government policy imperatives, such as extending access to non-traditional populations. UoP’s pricing and ‘front end charging’ are not directed at the budget end of the market, although its generous credit programme does mean that it attracts a good proportion of minority and previously disadvantaged students.

The increasing trend of for-profit arms of publicly-supported universities to respond to a market model of education raises complex structural issues, which may be unresolvable. Johnstone (2000) provides a particularly pertinent analysis of the dimensions of ‘privateness’ and ‘publicness’ in universities, relating to (1) mission and purpose; (2) ‘ownership’; (3) source of revenue; (4) expenditure controls (autonomous decision-making); (5) regulations or controls over other-than-expenditures (such as proportions of low socio-economic groups); and (6) norms of management. The MUP case illustrates his analysis. Johnstone notes that universities may be quite ‘private’ on one or two dimensions, and quite public on others, leading to confusion in relation to the public good represented by ‘the university’ as it is currently conceived within the Australian community.

4.2 Implications for universities

There are two clear lessons of the past eighteen months for Australia’s universities. First, the corporate education and training market remains potentially large, here and overseas, but its needs are complex and there is no clear path to early profitability for providers. Many of the larger corporations are demanding highly modularised curricula tailored to their requirements, workplace delivery—preferably online and often delivered through intranets or corporate learning management systems—and a package covering the spectrum of education and training from vocational training through to higher education. Further, they expect outsourced corporate training to yield cost savings over in-house provision, and will look for cost-effectiveness. These are extremely difficult challenges for universities to meet.

The conclusion is not necessarily that universities should not respond, rather that the risks are significant and expectations should be realistic.
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This suggests a further difficulty for the corporatised public university and its governance—the transparency and accountability of ventures undertaken within commercial arms of an institution, and the responsibilities of managers and governing bodies in relation to such ventures. How well universities quarantine their commercial and/or borderless and/or overseas activities from their operating grant activities, and how realistically their commercial operations are costed, given that such operations build on the digital infrastructure that has been publicly funded, will be crucial to accountability and transparency claims.

The recent problems of Luton University in the UK in relation to inadequately documented contracts with business partners and undercharged fees, illustrate the difficulty faced by universities (THE S, September 14, 2001, p.6).

The second major lesson is that most for-profit providers in the United States have found that online delivery is more costly than most anticipated. Successful business models for online and corporate higher education remain elusive, apart from the strategies of the University of Phoenix, which has built on its campus network to offer online education (at a higher price) to working adults, or the high-volume enrolments of the 'mega-universities' such as the UK Open University. Most organizations, from conventional universities through to providers such as the University of Phoenix, are moving towards hybrid systems of face-to-face contact and online teaching, and the level of online activity is increasing at a rapid rate. However the economics of online education remain unclear; apart from the general observation that the higher the level of interactivity, and the higher the level of personal contact involved, the higher the cost will be.

It should also be noted that the for-profit education providers have specifically targeted what Sir John Daniel has termed 'the low hanging fruit': subject areas such as business and IT which are in high-demand and for which working adults with relatively high incomes are prepared to pay. Public universities have broader educational missions, and extension of online teaching and administration to other areas of study is likely to place additional financial strain on institutions. Much attention has been devoted in Australia and overseas to the question of whether or not online and distance education is cheaper than campus-based operations, most of this focusing on the volume of enrolments in virtual programmes.

However the rapid blending and convergence of on- and off-campus study is likely to render this line of inquiry increasingly irrelevant, and will shift the focus of attention away from comparisons of distinct modes towards more fundamental questions about the costs of higher education activities in general. In particular, the balance of resource allocation to buildings and physical infrastructure in comparison to information technology infrastructure and support is likely to be a critical issue for public universities in coming years.

As noted earlier in this report, the internationalisation of for-profit higher education is proceeding, albeit more slowly than some commentators have predicted. While the OECD (2001) apparently is convinced of the coming dominance of the corporate and for-profit providers in the global market they foresee for all higher education, but particularly for continuing education, there is no evidence of an imminent invasion of overseas institutions into the Australian
degree market. However, Australian universities should not assume that their domestic and international markets will remain uncontested by for-profits indefinitely, but equally they do not need to be driven by fear of being pushed out by aggressive education companies. The competitive advantages of location (including sharing Asian time zones), exchange rate, reputation for quality and ability to certify with recognised university awards remain important. This is not to suggest that Australian universities will not face international competition, rather it points to such competition being primarily from non-profit conventional universities seeking to expand their recruitment of overseas students. That said, the sheer scale of investment in online education, financed by US philanthropic and equity investors, almost guarantees that the US will be the dominant player in borderless education, especially that based on online technologies.

A final point concerns the changing nature of student engagement with universities. For-profit providers such as the University of Phoenix distinguish themselves from conventional universities in part on the basis that they cater specifically for working adults, who are prepared to pay a premium for factors such as convenience and perceived curriculum relevance. The McInnes study referred to above suggests that our 2000 distinction between ‘earner-learners’ and ‘learner-earners’ is becoming less clear cut in Australia, as increasing numbers of students undertake extensive paid work alongside their university study. This points to an increasing need to accommodate their necessary time shifts, and to provide greater flexibility in modes of delivery and access to resources. As both school leaver and other populations of university students come to expect higher standards of service and convenience from universities, the ‘customer-centred’ model that has been the hallmark of providers such as the University of Phoenix and DeVry could become a benchmark against which more traditional universities will be compared. For example, US institutions are responding to the ‘anytime, anywhere’ service promises of online provision by extending their physical campus hours: the University of California Berkeley now opens until 2 am, while Michigan and Yale libraries open until midnight (The Chronicle Review July 20 2001, p. B18).

The difficulty for traditional universities will be meeting these service expectations while maintaining the integrity of curricula, and serving their broader scholarly mission of the preservation, transmission and creation of knowledge.
Bibliography


