BRIEFING

Issues for universities using private companies for online education

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INTRODUCTION

This briefing is aimed at universities who are thinking of using - or already using - private companies to develop or expand their online programmes or courses. It raises the issues to be thought about and the implications of decisions made, and it considers the roles and relationships of the companies with the universities.

Many universities, both globally and locally are starting to expand their capacity for offering online programmes at both undergraduate and postgraduate levels, as well as to develop online and blended courses into qualifications. For most traditional universities, and even distance education institutions, this requires a new way of doing things. Such expansion requires additional capacity and investment for which private companies are making approaches and offering services. Capacity development can happen through largely in house growth, largely external provision, or - as is usually the case- through a mixture of both. The expansion of existing inhouse resources may include the employment and deployment of new staff, systems and tools while at the same time buying in quite specialist services, specifically those which are not core business. On the other extreme, additional capacity can be also achieved through engaging the services of a private company which specialises in servicing universities to develop, market and manage particular types of online programmes.

The services and arrangements between universities and companies can be arranged in two ways, either in terms of 'Fees for Services', where individual discrete services are provided, or they can be provided as a partnership venture with a revenue split, often referred to as a 'Full Service Revenue Model'. Companies providing such services and partnerships are known as Online Program Management companies (OPMs) and sometimes 'enablers' or 'edu-businesses'. For the purpose of this briefing, 'OPM' will be used.

While OPMs have been operational for the last ten years (Lederman, 2015), the past five years have seen an increasing interest (both from business sectors and universities globally) as well as rapid growth, acquisitions and the emergence of new and differentiated players (Hill, 2018), while experimentation with new models continues.

The focus on the role of private companies takes place against a broader backdrop where the nature of teaching and learning provision is being reshaped by forces including marketisation, digitisation, unbundling and austerity climates. Marketisation sees the introduction of market forces into academic practices and processes. Digitisation sees networked technologies infiltrate all aspects of the university including teaching and learning models. Unbundling is the process of disaggregating educational provision into its component parts likely for delivery by multiple stakeholders. This usually results in rebundling, often using digital approaches (see Czerniewicz and Morris 2017) . The austerity climate has arisen as nearly globally there has been reduced state spending on higher education, push back from students regarding fee increases and the resultant pressure on universities to generate additional income. At the same time, teaching and learning is under pressure to change through a curriculum transformation imperative in many places and widespread pressure for more flexible provision.

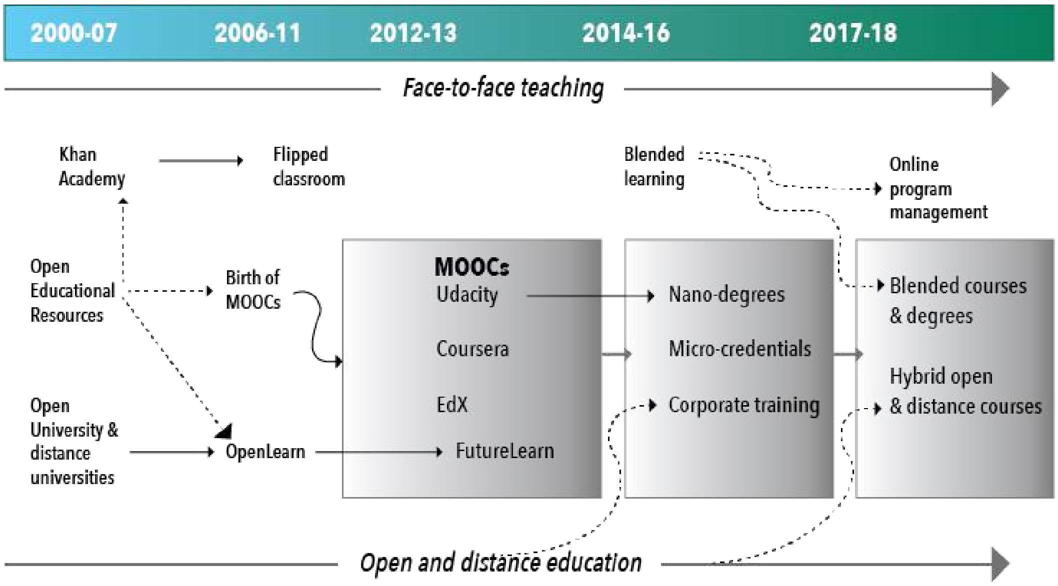
This changing terrain opens up a number of issues and questions, such as

- To what extent and at which point do new arrangements with private companies change the nature of teaching and learning itself?
- When does a company stop being simply a supplier? What is the difference between a supplier and a partnership? What is the nature of the influence from the strategic partnership over academic teaching and learning as well as the university's brand and mission?
- What are the implications of working with a multiplicity of companies (in terms of governance, prioritising, selecting) given there have been very few such arrangements to date (largely textbooks and technology)?
- How can fully online and blended learning be differentiated? What are the implications of these differences for new arrangements?
- Where is the line between core business and third stream income?
- What are the implications of having to serve the needs of both traditional students and new student groupings (in terms of infrastructure, brand, focus etc)?

The purpose of this briefing is to inform institutional strategists and role players about this emergent and changing landscape, its complexity and the concomitant issues to facilitate discussions and enable decision making.

WHY NOW

There are both 'push' and 'pull' imperatives at play at present which makes it necessary to achieve clarity on how and in what ways an institution chooses to expand into the formal online education space to offer credit bearing qualifications using blended and online education.



Adapted from:
https://commons.wikimedia.org/wiki/File: Timeline_of_MOOC_and_open_education_development_with_organisational_efforts_in_the_areas.png

Figure 1: Current trends (Sharples, 2018)

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On the 'push' side many institutions globally are receiving overtures for business ventures and partnerships from private companies who see higher education provision as a business opportunity. Worldwide, online higher education is a market of interest to venture capitalists, investors and service providers. These overtures require strategic and informed responses. There is also some evidence of a 'push' element from students who are interested in flexible study options from institutions with a credible brand.

On the 'pull' side, an institution may have several reasons for wanting to expand online education provision both for fully online 'distance' provision as well as supporting on-campus blended and online models. These include:

For the university

- Opportunities to increase access and reach (scale)
- Opening up new opportunities for greater social responsiveness
- Potential for third stream income
- Prestige and to maintain /gain a competitive edge in this emerging sector
- Awareness of the offerings of other equivalent universities
- Improvement and innovations in teaching and learning

For teaching and learning units within universities

- The need to improve current skills and capacity to support existing initiatives
- The opportunity for innovation in pedagogy for both online and on-campus students

In addition to the opportunities, the lived experience of early pioneers who have or are offering formal online education programmes has revealed that an institution's current systems are not always conducive to an optimal experience - for both students and staff. Layering online programmes onto a university's current systems requires systemic changes or improvements to functions such as student admissions, e-assessment or fees governance, as well as setting up of new functions such as centralised student helpdesks. For many institutions, early experimentation suggests there needs to be a substantive overhaul of the existing infrastructure and services to support online education.

THE KEY PLAYERS SERVICING HIGHER EDUCATION

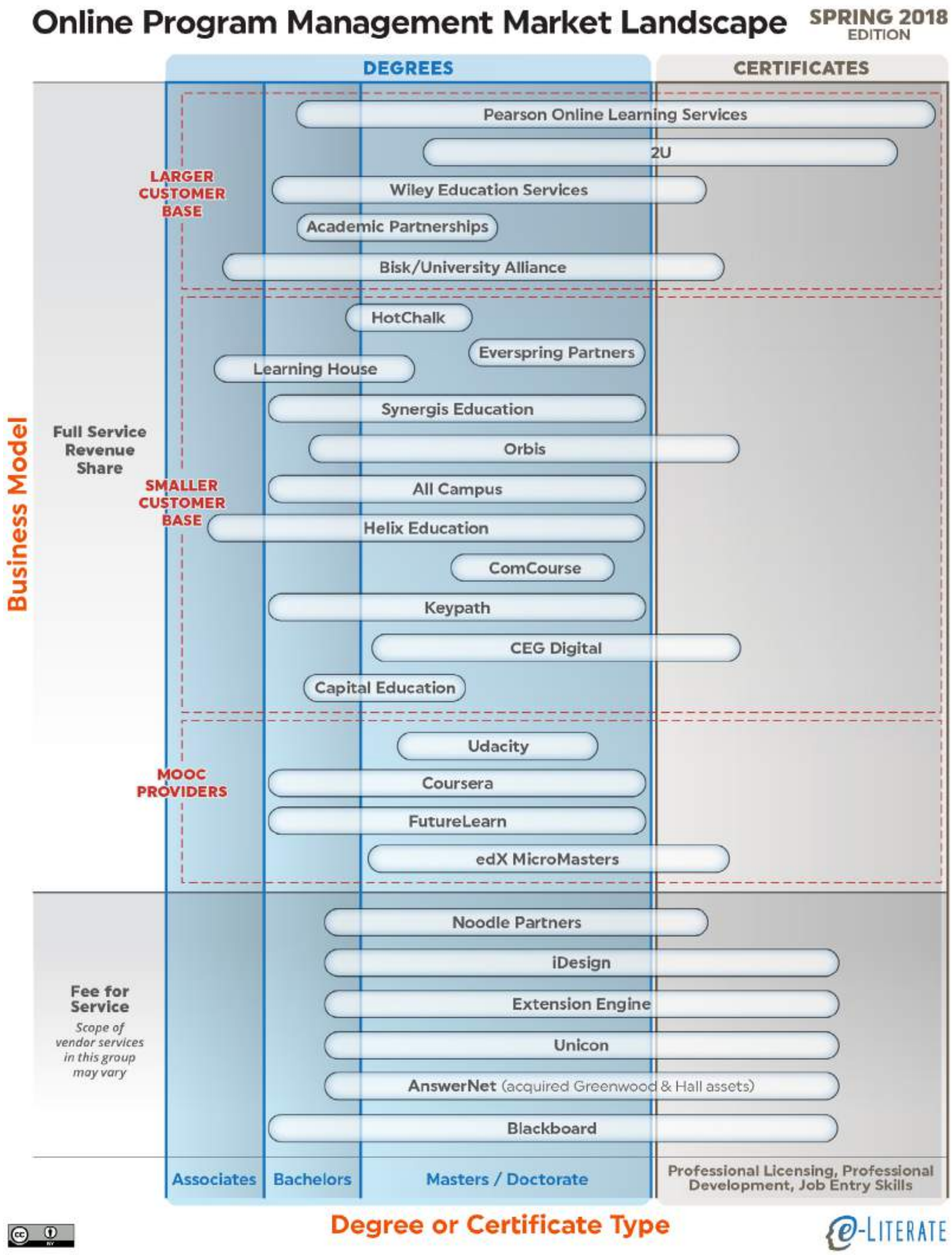

Figure 2: Online Program Market Management Landscape
Source: Online Program Management: Spring 2018 view of the market landscape

Figure 2 provides an overview of the companies providing services to higher education institutions, by size of customer base and business model mainly in the US although some operate globally. While the Full Service Revenue Share model is well known and understood, there has been a recent trend towards fee for services models (Kronk, 2018) and the entry of MOOC providers offering various OPM services (Lederman, 2018). There are also a number of overlaps with provision for on-campus and blended learning (as well as fully online providers). The marketplace is becoming crowded and complex to navigate (Feldstein, 2018).

While the United States was the initial base and focus of the OPMs, many of these companies are now looking at global markets including emerging markets given growing connectivity and increased competition in established markets. A number of companies already operate locally offering services and partnerships for the full continuum of online courses: MOOCs, online short courses and online degrees, while other companies provide services for on campus learning technologies such as learning management systems.

ACTIVITIES SUPPORTING ONLINE PROVISION

As courses and programmes become more blended and fully online, new roles and needs have come into being in order for these changed forms of teaching to take place, and often it is these new roles and services that OPMs offer (Walji, 2017). Figure 3 show the activities that are needed for these types of digitally-mediated provision. These activities can be undertaken in-house, or they can be unbundled, and be bought in singly or as a 'package'.

Figure 3: Online education programme and course unbundled services

Source:Walji, Morris & Czerniewicz, 2017 CC-BY https://unbundleduni.com/2017/09/28/emergence-and-role-of-private-providers-in-the-south-african-higher-education-landscape/

Activities which are often bought in as a single service include, for example, online tutoring, or online proctoring. These may be paid for through fees or licences per unit. 'Multi package' services may include a combination of, for example, market research, marketing, recruitment, applications, learning design and student support. These 'package' deals are paid for through revenue shares of varying sizes. These are the kinds of offerings from companies such as 2U and Academic Partnerships.

COMMON FUNDING MODELS

The diagram below illustrates three common funding models for an institution to resource online education. Note that there is a continuum between these and various combinations may be possible.

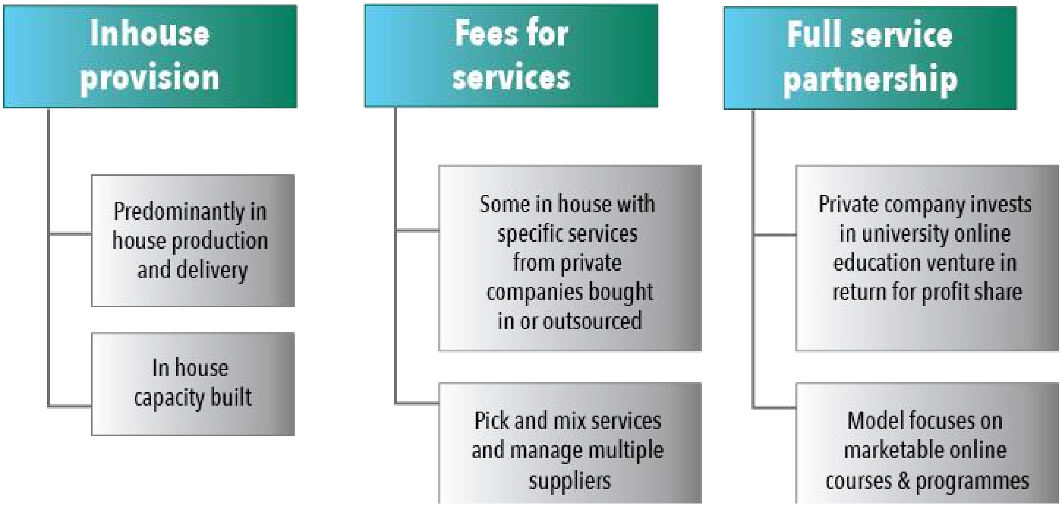

Figure 4: Common funding models for resourcing online education

SCENARIOS FOR ENGAGING WITH PRIVATE COMPANIES

While three funding models are outlined in Figure 4, in effect it is extremely unlikely that any university will do everything in-house and there are two models that involve institutions having some sort of relationship with a private company. These options articulate different relationships with private companies with different consequences.

Scenario 1. Partner with a 'multi service' Online Program Management Company (OPM) for online degree provision

These arrangements are based on a variety of profit-sharing models between the university and the private company. The company invests upfront in certain programmes it believes are marketable. Profits are split later.

For an institution, with currently limited inhouse capacity for full online degrees, this would mean using an OPM partner to enable the development of new online degrees.

The implications of this option are spelt out below.

Strengths	Weaknesses
• Private company brings monetary investment • Sharing of risk of investment • Operations at scale • Partners' existing networks may be leveraged	• Inflexible business model based on 'one size approach' • Locked in long term contracts/agreements (generally 7-10 years) • Partner informs/vetos which degrees to put online for marketability, cherry picking and lack of flexibility • No cross-subsidisation opportunities • 'Giving away' of profits (50-80% typically to partner) or split of fee income • Inefficiencies of working in distributed sites • Lost opportunity to grow in house expertise and potential loss of IP • Less opportunity for sharing learning across continuum of fully online, blended and oncampus models
Opportunities	**Threats**
• Possible speed to market and agility • Company presumably has skills sets which university does not • Possible to later build or bring services inhouse with capacity built from working with a partner • Even if there is inhouse capacity, allows experimentation with a different platform or new markets	• Commercialisation of teaching and learning • Reputational risk of association with a partner (in light of negative news) • Brand dilution of 'academic enterprise' • Lose control of 'core business' • Could serve 'privileged' students who are deemed marketable. • Reputational risk of perception of 'outsourcing' teaching and learning

Globally universities are forming OPM partnerships for a select number of degrees. While some are using OPMs as a way to enter the online degrees market, some better known universities have already invested in a well developed in-house capacity for the majority of their online degrees and oncampus provision, but have chosen to enter a partnership for one or select number of potentially profit making programmes.

Scenario 2. Inhouse capacity with a fee for specific services model

This arrangement develops in-house capacity while identifying particular services that a private company offers on a fee for service model to support online provision. In effect it combines two possible funding models as in Figure 4. This option involves upfront payment and the institution keeps all the profits. There are numerous examples of this with Noodle Partners and Proversity being two such examples.

The implications of this option are spelt out below.

Strengths	**Weaknesses**
• Flexible - can respond to market changes and pick multiple suitable suppliers • Agile - no long term locked in agreements and can change suppliers • Building on existing inhouse capacity (using what has already been developed) • Clearer control for the university for decisions including which programmes to put online • University keeps the profits • Brand integrity (services are typically 'white labelled') • Better integration between face-to-face and online systems	• University takes all financial risk while relying on providers for key services • Investment carries risk given market is emergent. • More effort to manage multiple relationships and quality assurance • Individual unbundled services may be more difficult to find • Significant upfront investment required for inhouse capacity and paying for services
Opportunities	**Threats**
• University can reinvest all profits • Learning and infrastructure that is built applied to oncampus/blended support - leverage investment more broadly. • Supports core institutional mission	• Substantial additional strain on existing systems (Human Resources, Finances etc) • Need to develop new functions, skills - marketing, student support/retention • Length of time to develop systems and capacity may delay getting into the competitive market space • Losses not shared

Many universities are probably already using a fees for services model for a number of services to support current models of teaching and learning; such services might include plagiarism software, online proctoring or cloud-based Learning Management Systems.

INSTITUTIONAL USE CASES

While different institutions are considering arrangements with OPMs, it seems that there is some differentiation based on the nature of an institution and its purpose. Below are some broad trends that may inform institutional decision-makers especially in terms of understanding the motivations of an OPM offer or business model.

A research-intensive campus based university

This category of university is often the target of an OPM's approaches based on the desirability of a high global ranking and the marketable brand of an online degree through that university. This type of institution, usually residential, is likely to have had little experience with online learning and teaching given the focus on research as 'core business'. They may want to separate out an online degrees initiative from perceived 'core business'.

A teaching-focussed or comprehensive institution

While rankings may not be as prominent a factor for an OPM's interest, there may be alignment between a teaching-focussed institution's desire to expand the opportunity and flexibility for students to study online given this is core business and an OPM's desire to expand into new markets and develop new types of degrees attuned to professionals.

A distance education provider

Open and Distance Learning (ODL) universities - especially in the Global North - have been moving into offering online options for distance education. This is due to increased access as well as in response to students being increasingly digitally-enabled and in response to competition from non ODL universities offering online qualifications. However Global South ODL universities are likely to be in a more tentative space given the student cohorts they serve, which often still depend on physical materials and lack reliable internet connectivity. Here relationships with OPMs are emergent.

NEXT STEPS

It is clear that the landscape for how online education is provisioned is extremely emergent and that there is jostling for space and consolidation as universities look to private companies to assist in expanding their capacity for online learning. There do seem to be some trends including the shift to fees-for-services and ostensible desire for inhouse capacity building (Kim, 2018) and multiple OPM use, such as using a traditional OPM and a MOOC provider. The OPM industry is consolidating and calls for self-regulation and critical appraisal are growing more insistent (Kim, 2019).

Decision-makers for universities going forward need to consider both global trends and local contexts and be guided by strategic priorities. There needs to be an alignment between the option(s) selected, their strategic priorities and vision, as well as the extent to which online learning is considered to be core business. In all cases, there is a requirement for institutional investment; what differs is the amount of upfront investment, the amount of profit sharing palatable to the institution and the importance of in-house capacity building. While decisions are financial, at the end of the day they need to be aligned to the principles and values of the university.

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