Chapter XIII

The Business of Online Education

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Abstract

Many observers have predicted a revolution due to online education. Opportunities exist to save money due to the lack of brick and mortar, and travel necessary to take classes in a traditional setting. Besides costs savings, several studies show that online education has significant benefits including support for self-paced learning and better discussion between learners and teachers. The opportunities for online learning have spurred growth in the business of online education. Entrepreneurs see opportunities for increased market share, while others perceive a threat. The design of an online program is not easy, however. This chapter summarizes pedagogical and business dimensions that must be addressed in order to develop an effective online educational program. The chapter also discusses tactics that will help organizations compete in the online education industry.

The Business of Online Education

In a relatively early book regarding electronic commerce (e-commerce), Choi, Stahl, and Whinston (1997) described e-commerce in terms of three dimensions: product, process, and agent. Each of these dimensions can take on a digital or physical form. Pure e-commerce, according to Choi et al., takes place when all three dimensions are digital. For example, purchasing downloadable music through the Internet is pure e-commerce because the search, purchase, delivery, and product are all digital. Because educational materials, such as lecture notes and exercises, can be found, stored, and delivered in digital form, it is not surprising that several people predicted a revolution in education. In 1997, the management expert, Peter Drucker, stated (Gubernick & Ebeling, 1997, p. 84): "Universities won't survive. The future is outside the traditional campus, outside the traditional classroom. Distance learning is coming on fast." In 2001, Arthur Levine, president of Columbia University's Teachers College, echoed this prediction. While discussing online education, Levine asked (Washburn & Press, 2001, p. 1): "If we can do all that…why do we need the physical plant called the college?"

While this predicted revolution has not completely materialized, there is ample evidence that online education is growing significantly. In a 2002 study of 274 institutions, 71% responded that they offer some fully online courses and 80% offered hybrid courses that combine in-class with virtual instruction (Arabasz, Pirani, & Fawcett, 2003). In addition, the success of online universities, such as the University of Phoenix and Capella University, attest to the interest in online learning.

Undergraduate business programs and MBA degrees, in particular, have seen a dramatic rise in online classes. According to a 2003 study, 51% of public universities offer an online business degree program (Golden, 2006). The rapid movement to online business degree programs can be attributed to many factors including corporate demand, opportunities for a greater market share, and the potential threat posed by private online business degree programs (Folkers, 2005).

Institutions of higher education are not the only source of online education. Vocational schools, K-12 schools, certification programs (e.g., real estate licensing, project management certificates), special purpose courses (e.g., drivers permit courses) and corporate training have developed significant online presence. In an IDC India study, corporate e-learning is predicted to grow to $21 billion by 2008 (*Financial Times*, 2005).

The rise of online education poses opportunities and challenges for education providers. In this chapter, we review these opportunities and challenges, discuss various considerations for developing online programs, and describe strategies for competing in the online educational marketplace.

Benefits and Challenges of Online Education

Numerous articles and entire journals are devoted to online education. Trade journals and academic research commonly discuss the effectiveness, strategies for success, benefits, and

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