

Chapter 1.18

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 tra-

ditional 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 weaknesses of online education. Inexperience with digital technology, the novelty of teaching outside the traditional classroom, the reluctance of teachers to support online education, the rise of educational competition, and the shift to teaching working students motivate many of these studies and articles.

At least some of the benefits associated with online education are similar to the benefits of distance education. Distance education began as early as 1840 when Sir Isaac Pitman developed correspondence courses (Blake, Whitney, & Blackwell, 2005). These courses delivered learning materials through the mail to those who did not have the means or time to travel to traditional schools. As technology changed, the methods for delivering correspondence courses evolved. Instructional films were first used in 1910; a few organizations experimented with radio-based delivery in the 1930s; and some form of television-based education has existed since the 1940s. As satellite, cable, and other forms of networks began to appear in the 1970s through 1990s, educational institutions experimented with technology such as video conferencing and instructional CDs (Williams, Nicholas, & Gunter, 2005). It is only natural that the Internet became a source for distance education in the 1990s.

Similar to Pitman’s original motivation, businesses and government, today, are interested in efficiently delivering education to learners in locations other than a centralized location. High levels of skill and knowledge are required to perform knowledge work and, by some estimates, 50% of knowledge and skills become outdated in 3 to 5 years (Blake, et al., 2005). Yet, the cost of

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