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4 Ways Colleges' Deals With Online-Education Vendors Can Go South

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When the University of Florida announced last month that officials were terminating a big contract with Pearson Embanet to run the institution's online academic programs, it stirred further questions about the for-profit companies at the heart of these partnerships, known as "online-education enablers."

Some colleges that have enlisted enablers to move degrees online have seen success: Examples include Arizona State University and Georgetown University. But that's not the case everywhere. Some institutions have not met enrollment targets, while others have drawn criticism from professors and others about outsourcing too much and paying a high price.

The Chronicle examined some of the partnerships that have not sailed entirely smoothly, and found some common themes.

1. There are inherent tensions between for-profit and nonprofit entities.

Nonprofit colleges are more interested in educational quality than for-profit companies are. That's according to Steven Filling, chair of the Academic Senate of the California State University system. Enablers, Mr. Filling says, are more focused on "generating returns on investment for their shareholders. There are different motivations there."

Mr. Filling used to be a board member for Cal State Online, the system's ambitious online-education effort that involved a partnership with Pearson. Cal State Online, which began enrolling students in 2013, was drastically downsized after failing to meet enrollment targets, and Pearson no longer plays a major role in its operations.

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The partnership didn't work well, Mr. Filling says, because the university and the company had "disparate endgames in mind."

At Florida, UF Online was plagued by low enrollment of out-of-state students. Pearson "did bring in a large amount of out-of-state leads," says Evangeline T. Cummings, assistant provost and director of UF Online. The challenge, she says, "is how do you grow and build online programs that still adhere to the admissions standards on campus?"

Representatives from two prominent enablers, Pearson and Academic Partnerships, denied any such tensions.

2. The contracts between colleges and enablers tend to favor the latter.

Enablers' contracts to run online programs might lock colleges in for 10 years or more and give the companies a lopsided share of the overall revenue — as much as 80

TECHNOLOGY

percent in some cases, at least at first, says Chris Ross, a managing director at Parthenon-EY, a business-strategy firm.

Enablers often contend that the long-term, high-revenue contracts are necessary because the companies assume much of the initial risk of putting a degree program online. Todd Hitchcock, senior vice president for online solutions at Pearson Learning Services, says that it takes two to three years to adequately prepare an online program to enroll its first students, and then several more years to secure sustainability.

The contracts are changing, though, Mr. Ross says, in part because colleges "are driving a harder bargain." As institutions become more savvy in online education, they are able to handle some services that used to be turned over to a third party. In such cases, the contracts are shorter, and revenue splits tend to be closer to half-and-half.

And colleges are more sensitive about contracts, Mr. Ross says, because the expansion of the market has given them more choices.

3. Once colleges enter into a partnership, questions can arise over who controls what.

Jack Zibluk, a former president of the Faculty Senate at Arkansas State University, says the institution ceded too much authority to Academic Partnerships when it contracted with that company to help run its online degree programs. Faculty members at Arkansas State still have questions about their intellectual-property rights, he says: "If you teach a course, do you own it, or does Academic Partnerships own it?"

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Daniel Smith, a spokesman for Academic Partnerships, says the company "does not have any control over academic matters," including "assessments, delivery of instruction, and intellectual property." College administrators and professors manage the curriculum and course design, he said in an email interview.

Thilla Sivakumaran, executive director of Arkansas State's global initiatives office, says that Academic Partnerships "is solely a marketing firm" for the university and that it helps Arkansas State achieve a national reach that it otherwise wouldn't have.

Mr. Hitchcock, of Pearson, also says that his company has a solid working relationship with professors. "It's always their program," he says.

4. Sometimes, enrollment projections don't pan out.

Both California State and the University of Florida were in a hurry to go online due to pressures from state lawmakers. Officials crafted business plans based on tens of thousands of students enrolling within a few years, and they contracted with enablers to make it happen. But it didn't.

Cal State Online had been projected to enroll nearly 17,000 students by 2013 but attracted only 138. Members of its advisory board later complained that Pearson's marketing "was not adequate."

The contract Florida signed with Pearson was based on projections of enrolling high numbers of lucrative out-of-state students. Pearson's failure to meet that target was a big part of why Florida officials terminated the contract, says Ms. Cummings, of UF Online.

In response to that criticism, Mr. Hitchcock emphasizes that deficient enrollment is not a problem for "the vast majority of our launches" at colleges. Pearson recommends resources and support services that institutions should have in place, he says, and when colleges don't follow the suggestions, "it can inhibit their ability to bring students in." ■