



Bit-by-Bit: Digitizing the Ivory Tower

Examining the potential of online education for Canadian universities.

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From the music industry to the newspaper business, firms have been forced to adapt their distribution strategies as digital technology is increasingly integrated into day-to-day activities. The realm of post-secondary education is no exception. For centuries, there have been few viable alternatives to the traditional brick-and-mortar university experience for accessing educational information. The emergence of online universities and academic sources, the University of Phoenix and Khan Academy, among others, signal the end of this relative monopoly on higher education. With learning no longer limited to lecture halls and musty libraries, universities worldwide must adjust to an evolving competitive landscape or risk falling behind more progressive competitors.

The ability of technology to alter the delivery of education has led 75% of public universities to cite online degrees as critical to their long-term strategy. Yet Canada's premier universities have

made only minor strides in this direction. Top-tier schools such as University of Toronto, University of British Columbia, Western University, and McGill University all offer very few fully online degrees. Moreover, schools are hesitant to widely market their online offering, likely as a result of the importance placed on institutional branding. This conservative approach suggests that research-intensive universities fear entering the online degree sphere will undermine their market position, by damaging their reputation and brand equity.

An Attractive Opportunity

Virtual degree enrollment has increased at roughly nine times the rate of campus enrollment over the past decade, signaling a growing demand for online degree programs. In 2011 alone, there was 900% growth within the online segment. E-learning is now rated equivalent or superior to campus-based education by 67% of educators, a 10% increase in just a few years. Moreover, student perceptions of online courses indicate no relative advantage between the two forms of delivery in the presentation of course material and student-to-faculty interaction.

There are also compelling financial incentives for Canada's universities to expand their online portfolio. Since physical services are not required, virtual programs generate 25-30% higher margins than traditional degrees. Facing increasing financial pressure with recent cuts in government research grants, Canada's research-intensive schools can use an online strategy to sustainably stimulate cash flow by reinvesting online tuition into research and teaching. This new capital could also be used for scholarships and improvement of on-campus services in order to attract top students.

The migration to learning online is inevitable. Universities which demonstrate leadership in this area stand to reap the benefits

associated with the first mover; leaving laggards to languish. A successful online education program is the best way for strong national universities to become global thought leaders. The status quo is not the path to success. Though any change has risks, for universities with ambitions to become better educational institutions, the risks tied to online education can be mitigated.

Organizational Inertia

While institutions recognize that technology will eventually be integrated with education, overcoming the significant inertia of the status quo will be a struggle. Professors, for example, are concerned that online learning will minimize their importance in the learning process. The decentralized bureaucracy of Canada’s leading institutions provides many opportunities for opponents to prevent implementation. Current administrations at Canada’s top schools are skeptical of the ability for online education to deliver the necessary returns on the significant investment that is required to create online programs. Universities are not incentivized to take these kinds of risks with their capital when the status quo suits them just fine. Complacency can be tempting, especially if no other reputable university is pursuing this strategy and prospective students and employers believe online content devalues the institution’s reputation. Furthermore, a lack of an online program does not limit access to guaranteed government funding, which begs the question, why should universities attempt to innovate?

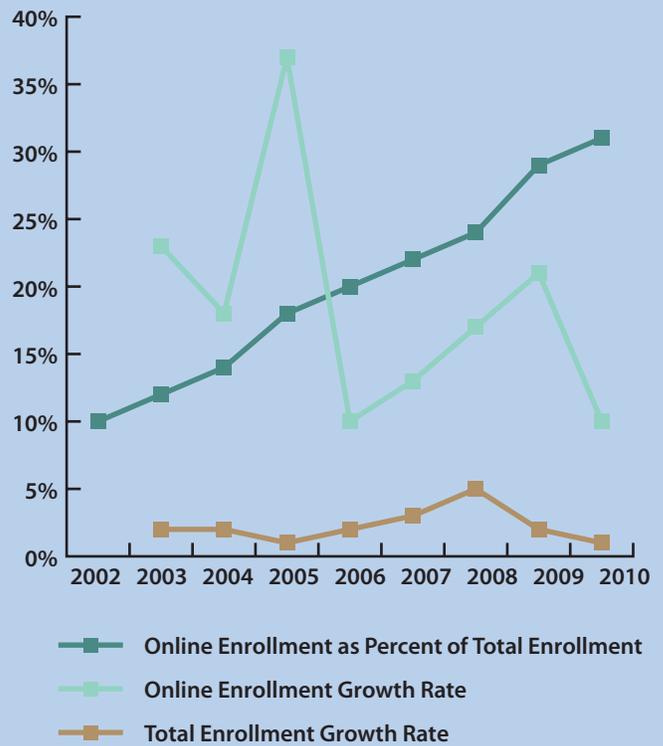
Faculty Buy-In and Beating Bureaucracy – Given that faculty are central to the committee-based decision making at research-based institutions, to move initiatives forward means each stakeholder needs to understand how embracing online degrees is in their self-interest. Faculty must see that benefits are immediate and definite. Conveniently, given the demands of the “publish or perish” environment, the increased research time offered by online teaching directly benefits a professor’s career. Due to increased flexibility, teachers will find online courses easier to manage than traditional ones. Moreover, if theoretical teachings are posted online, professors can reallocate class time to discussions, tutorials, and practical application.

Investing for the Future – All of Canada’s research-based schools already have online infrastructure for students to receive some form of digital content. While additional resources will need to be allocated to fully enable online degree programming, the long-term benefits of integrating technological advancements into their provision of academic degrees will prove significant. Universities can appropriate the funds generated from their online degree programs into strengthening their traditional programming.

Preserving Brand and Reputation – Low admissions standards and over-enrollment are stigmas characteristic of many online university programs. To preserve their brand equity, schools should limit enrollment and apply the same or stricter admissions standards to their online programs to maintain legitimacy and quality of students. Initially, institutions should only offer programs of study, such as Social Sciences, which require significant independent study and would therefore be the easiest to move online while

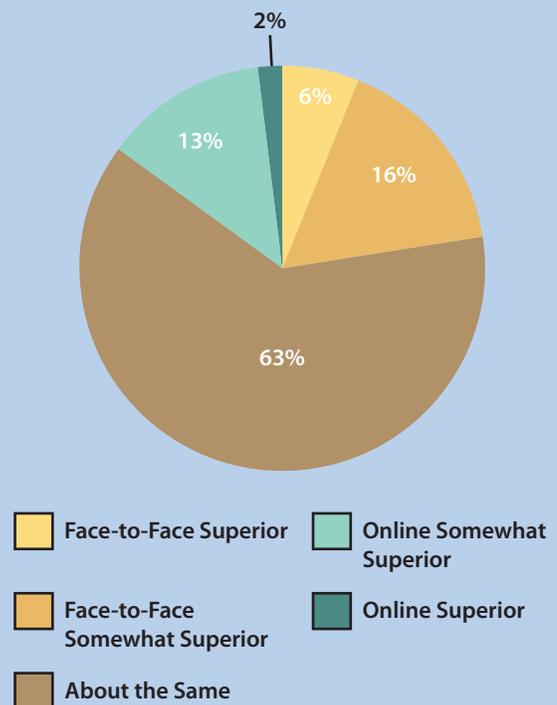
Online Education

Growth Online vs. Traditional Education



Source: Babson Survey Research Group

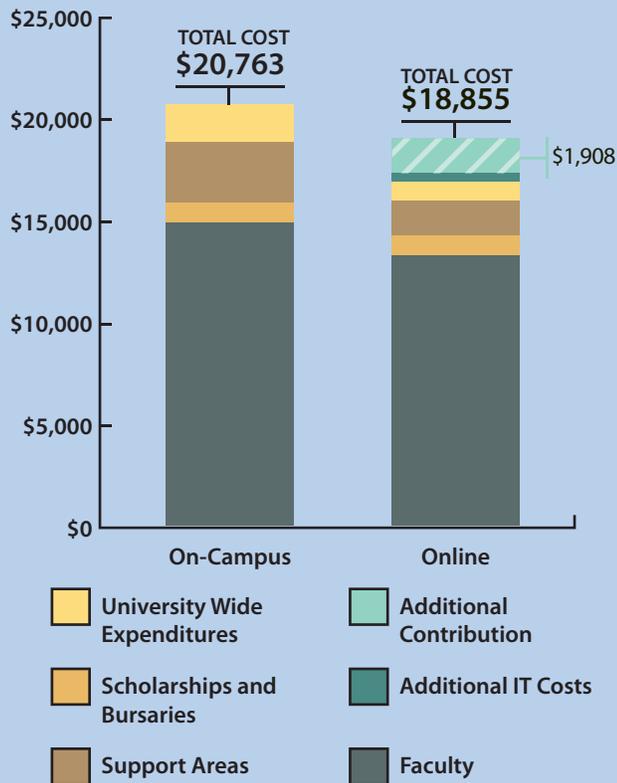
Student Satisfaction Comparison



Source: Babson Survey Research Group

Comparing Student Contributions

On-Campus vs. Online Students



Source: Babson Survey Research Group

preserving quality of education. To further legitimize their online program, universities can use the results from graduate entrance exams such as the LSAT and GRE to demonstrate that online programs are comparable to traditional classes. These metrics allow universities to continuously improve quality.

Entrance Strategy

The increased number of mature students and displaced workers returning to university provides an ample applicant pool of qualified and dedicated students. Mature students are especially well-suited for online degrees because virtual classes align with their educational priorities. Oftentimes, their motivation for enrollment is based on career advancement and the signaling effects of a degree rather than the ancillary services associated with traditional post-secondary education. Adult students value the ease of scheduling their learning around work and family; placing less importance on clubs, events, and the campus atmosphere. Moreover, targeting mature students allows schools to expand their share of the post-secondary market without cannibalizing their primary customer base – recent high school graduates.

Western University, for example, is uniquely positioned to take advantage of the sizeable gap between less reputable online educators, such as the University of Phoenix, and prestigious non-degree granting platforms, like MITx. Neither alternative provides

the type of accreditation desired by mature students and potential employers. Canada’s university subsidization policy amplifies this opportunity since citizens can obtain their degree from a public university for one-third of for-profit competitors’ tuition fees. The only notable domestic challenge stems from the Canadian Virtual University (CVU), a consortium of lower-tier universities offering virtual degree programs. However, the CVU lacks the signaling power of well-established research-intensive universities.

Top universities can enter as consortia similar to the CVU, or players can enter alone. A joint approach spreads IT investment while helping safeguard against reputational risks. However, such a strategy would likely be met with administrative apprehension, and achieving faculty buy-in is doubtful where definitive leadership is lacking. While spreading risk may be prudent, it concurrently reduces potential reward. A lone first mover has the opportunity to realize higher profits through industry leadership.

Long-Term Vision

Trends toward digital collaboration suggest educational delivery will be fundamentally different in 25 years, yet Canada’s top universities are lagging behind their American counterparts. Yale University and MIT, for example, have developed online programs aimed at better understanding the impact of digital collaboration within the education industry.

Revenues from online degrees can be directed towards increased research funding, talent acquisition, and asset development. Improving these areas will contribute to brand building. A university’s reputation can be significantly enhanced with funds obtained through online degree expansion. Distinguished researchers who bring international recognition often select a university based on the financial package offered. The University of Waterloo, for example, has sought to enhance its position by offering millions to world-renowned scholars.

The successful execution of an online degree strategy is also a brand builder, as institutions are viewed as thought leaders. This brand development is the key to national institutions looking to become global titans. Global players distinguish themselves primarily based on their brand. Over time, the online program will become core to a university brand; as foreign students study and work abroad, they will increase the university’s exposure.

Technological advancements will continue to alter and improve the delivery of education. Funding cuts, combined with the inability of universities to raise tuition, mean that Canada’s research-intensive schools must act creatively to secure the resources necessary to compete globally. A shift towards online degrees is inevitable and Canada’s top universities must embrace this change. It is imperative they realize the near-term and future benefits associated with entering the quickly growing digital education market. Conservatism, which has defined the program offering of post-secondary institutions, must be done away with. Efforts should be made by Canada’s well-recognized universities to position the country’s education system for success.