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## Higher Ed Inc

Sep 8th 2005

From The Economist print edition

### Universities have become much more businesslike, but they are still doing the same old things

AP



**The way we learn now?**

THE University of Phoenix's Hohokam campus looks more like a corporate headquarters than a regular university. There is none of the cheerful mess that you associate with student life. The windows are made from black reflecting glass, the corridors are neat and hushed, the grass has been recently cut, there is plenty of parking space for everybody, and security guards in golf carts make sure all the cars are on legitimate business. The university is conveniently close to a couple of motorways, and ten minutes from the airport.

But the campus does not just look like a corporate headquarters; it is one. The University of Phoenix is America's largest for-profit university (and indeed America's largest university, full stop), with 280,000 students, 239 campuses and various offshoots around the world, including some in China and India. The Hohokam campus houses the corporate headquarters of the Apollo Group, the company that owns the university, along with the group's corporate university.

The University of Phoenix was the brainchild of John Sperling, a Cambridge-educated economist turned entrepreneur. When he was teaching in San Jose State University in the early 1970s, Mr Sperling noticed that adult students got scant attention from universities designed to teach people aged 18-22. That, he felt, was not only unfair but also unwise: in the new economy, workers might have to keep going back to university to update or improve their skills.

The University of Phoenix is designed to cater for the needs of working adults, who make up 95% of its students. The emphasis is on practical subjects, such as business and technology, that will help them with their careers, and

on fitting in with busy schedules. One of the university's golden rules is that there should be plenty of parking, and that students should be able to get from their cars to their classrooms in five minutes. In the early 1990s it became the first university to offer degrees online, and the internet is now integral to all its teaching.

But in designing a university for working adults, Mr Sperling also introduced two other far-reaching innovations. The first was to concentrate power in the organisation. In traditional universities academics are semi-independent contractors who devote as much time as possible to their own research. In Phoenix they are simply employees. It is the university, not the teachers, that owns the curriculum. Todd Nelson, the company's boss, claims that this has allowed the university to become a "learning organisation": it is constantly improving its ability to teach by measuring performance and disseminating successful techniques. The only research it cares about is the sort that improves teaching.

The second innovation is to turn higher education into a business. The cost of a year's education at Phoenix, at \$9,000, is not particularly high for a private university, but the business ethos is unusually pervasive. Mr Nelson cheerfully talks about "the education industry", and boasts that enrolment is currently growing at 25% a year. The Apollo Group spent a staggering \$383m on marketing last year.

## Dollars and degrees

It is hard to imagine what von Humboldt, with his belief in research for its own sake, would make of the University of Phoenix. But for many people it is a vision of the future. Milton Friedman, a Nobel prize-winning economist, regards the triumph of the for-profit sector as inevitable, because universities "are run by faculty, and the faculty is interested in its own welfare."

For-profit universities are finding a growing number of market niches, particularly in America. Strayer University, one of the University of Phoenix's biggest competitors, concentrates on telecommunications and business administration. Concord Law School, owned by Kaplan, which in turn is owned by the *Washington Post*, boasts one of the largest law-school enrolments in the country. All of its teaching is online. Cardean University, the brainchild of Michael Milken, offers online business education, including MBAs.

The Apollo Group's corporate university marks another big educational change. The number of corporate universities, which provide education for their parent companies, has grown from 400 in the mid-1980s to more than 2,000 today. Some of these institutions, such as the McDonald's Hamburger University, do not deserve the name, but others, such as those set up by Microsoft and Schwab, are more serious. A growing number of corporate universities are awarding degrees in conjunction with traditional universities.

For-profit universities are only the most dramatic example of a more general trend: the changing balance of power between the state and the market. For much of the 20th century the state steadily tightened its grip on universities. Now the market is beginning to get its own back.

The old-fashioned public universities are becoming ever more promiscuous in their pursuit of income. In America, "public university" is fast becoming a figure of speech. At the University of Virginia, the share of the operating budget coming from the state declined from about 28% in 1985 to 8% in 2004. As one university president put it, his university has evolved from being a "state institution" to being "state-supported", then "state-assisted", next "state-located" and now "state-annoyed".

In other countries too, public universities are becoming more entrepreneurial. Increasingly they are starting to charge fees, usually in combination with student loans. They are also transforming themselves into competitive commercial operations when it comes to attracting fee-paying foreign students or winning contracts with business. At the same time, new non-profit private universities are springing up. These have long been common in America, Japan and South Korea, but used to be rare elsewhere. In Portugal, private universities and colleges have grown from almost nothing two decades ago to account for two-thirds of all higher-education institutions and 40% of all students. All in all, private funding has grown faster than public funding in seven of the eight OECD countries for which data are available.

Another eye-catching change is the rise of the internet as a way of delivering tuition. The internet has all sorts of advantages, from lowering costs to opening up markets. MIT has struck up an innovative alliance with two

Singaporean universities that allows Singaporean students to take part “virtually ” in MIT lectures. The Virtual University of Monterrey, Mexico, uses a combination of teleconferencing and the internet to reach more than 70,000 students all over Latin America.

But for all the new technology and the “marketisation” of higher education, it is striking how little has changed. Traditional universities are raising money not so that they can do radically new things but so that they can continue to do the same old things. For-profit universities are undoubtedly doing an excellent job in filling market niches, particularly for technical education, but their position in the academic hierarchy remains humble.

The internet is producing equally modest results. However good it is for transmitting information or reinforcing learning, e-learning is no substitute for bricks-and-mortar universities. The e-learning bubble of the late 1990s burst with shocking speed. Fathom, a joint venture established by Columbia and 13 other universities, libraries and museums, closed down after raising revenues of only \$700,000 in two and a half years. Caliber, the Wharton School's e-partner, filed for bankruptcy. Temple University abandoned Virtual Temple without offering a single course. NYU Online has also pulled the plug.

New technologies generally prompt heady predictions that they will revolutionise higher education. Thomas Edison forecast that motion pictures would replace campus lectures; others have made even grander claims for radio or television. David Noble, a historian, compares the internet craze with the fashion for correspondence schools that bubbled up in the early 20th century. By 1919, more than 70 American universities had launched correspondence courses, competing against some 300 private correspondence schools. But the bubble eventually burst, partly because of poor teaching and high drop-out rates but mainly because the human dimension was missing.

None of this is to say that the idea of the university is carved in gothic stone. It is indeed changing, but by evolution rather than revolution. And the most important recent development in the world of higher education has been the creation of a super-league of global universities that are now engaged in a battle for intellectual talent and academic prestige.