



## Online Learning Trends in Private-Sector Colleges and Universities

March 2011

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## INTRODUCTION

For the past eight years, the Babson Survey Research Group has conducted surveys of higher education institutions on their attitudes, beliefs, and practices concerning online education. Supported by a grant from the Alfred P. Sloan Foundation, the report series is titled "Sloan Survey of Online Education," the most recent being *Class Differences: Online Education in the United States, 2010*. All series reports are available as free downloads from the Sloan Consortium Web site.<sup>1</sup>

This current report is a new analysis of this collection of data, focusing on the role of online education among private-sector colleges and universities. For the purposes of the report, private-sector institutions are defined as for-profit colleges that are Title IV eligible. Comparative national results are provided for context of the private-sector results.

The author thanks Pearson Learning Solutions, which generously provided sponsorship for the analysis and production of this report. The author also thanks the Alfred P. Sloan Foundation for its support of the data collection and the Sloan Consortium for its distributions efforts in support of the entire series.



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## EXECUTIVE SUMMARY

This study, like the national Sloan Survey of Online Education, addresses fundamental questions about the nature and extent of online education. Based on responses from more than 2,500 colleges and universities, the study addresses the following.

### Is Online Learning Strategic?

**Background:** *The series of Sloan surveys has shown a slow but steady rise in the proportion of colleges and universities that say online learning is critical for their institutions' long-term strategies.*

**The evidence:** The proportion of chief academic officers at private-sector colleges and universities reporting that online education is critical to their long-term strategies mirrors that of higher education in general.

- Sixty percent (60%) of private-sector colleges and universities report that online learning was a critical part of their institutions' long-term strategies in 2010.
- Both private-sector and other types of institutions show a small increase from 2009 to 2010 in the proportion stating that online education is strategic.
- Private-sector colleges and universities include online learning as a part of their strategic plan at higher rates than other institutions do.

### Are Learning Outcomes in Online Comparable to Face-to-Face?

**Background:** *The first national Sloan Survey of Online Education found that a majority of chief academic officers rated learning outcomes for online education "as good as or better than" those for face-to-face instruction, but a sizable minority considered online to be inferior. Each subsequent year's report displayed similar results.*

**The evidence:** Academic leaders at private-sector colleges and universities have a more positive view of the learning outcomes for online education than do academic leaders at other types of institutions.

- Over two-thirds of academic leaders at private-sector institutions rate the learning outcomes in online education the same as or superior to those in face-to-face.
- There has been a small but steady increase in the proportion of private-sector leaders with positive views of online learning outcomes over the eight-year period.
- Academic leaders at private-sector institutions have positive views of the relative quality of an education at a for-profit institution; leaders at other types of institutions do not.

## What Is the Impact of the Economy on Online Education?

**Background:** *The national survey reports have provided evidence that bad economic times can be good for higher education enrollments—either because the decreased availability of jobs encourages more people to seek education or because those currently employed seek to improve their chances for advancement by advancing their education.*

**The evidence:** Academic leaders at all types of institutions continue to report that the bad economy has a positive impact on the demand for both face-to-face and online courses.

- Nearly one-half of private-sector colleges and universities report that the economic downturn has increased demand for face-to-face courses and programs.
- Three-quarters of private-sector colleges and universities see increased demand for online courses and programs due to the economic downturn.
- Nearly three-quarters of private-sector institutions report increases in applications for financial aid, but the rate is lower than that at other types of institutions.
- Nearly one-half of private-sector institutions say their budgets have increased year to year—a higher rate than that reported by other types of institutions.

## Proposed Federal Regulations on Financial Aid

**Background:** *The year 2010 saw an unusual amount of attention to higher education at the federal level, with congressional hearings on new rules involving financial aid and recruiting of students.*

**The evidence:** Academic leaders at private-sector colleges and universities have a negative view of the effectiveness and impact of the proposed regulations; most other institutions are neutral.

- The overwhelming majority of academic leaders at private-sector colleges and universities say the new regulations will not result in a level playing field.
- Virtually none of the academic leaders at private-sector institutions—and less than 10% of those at other institutions—say a debt-to-earnings ratio is a good measure of whether a school's training leads to gainful employment.
- Nearly one-third of private-sector institutions report it will be difficult for their institutions to comply with the new regulations.
- Private-sector colleges and universities expect greater potential for negative impact from the new rulings, with one-third saying the new rulings will have a negative impact on their enrollments.

## DETAILED SURVEY FINDINGS

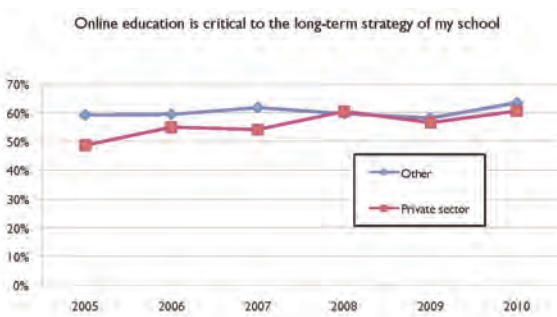
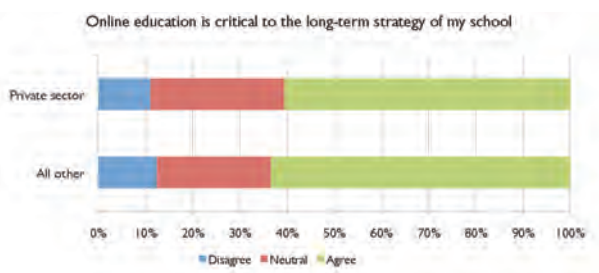
### Is Online Learning Strategic?

One of the key indicators tracked by the Sloan Survey of Online Education over the past eight years has been whether institutions view online education as critical to their long-term strategies. The current report, focusing on private-sector colleges and universities<sup>2</sup> rather than the entire higher education universe, continues this examination. Over 60% of private-sector institutions report that online education is critical to their long-term strategies—a rate only slightly below rates at other types of higher education institutions.

After remaining relatively constant for a number of years, the proportion of chief academic officers saying that online education is critical to their long-term strategies took an upward turn over the past year for both private-sector colleges and universities and all other institutions. In 2010, the percent of institutions that agree with that statement reached its highest level: 60.5% for private sector and 63.4% for all others. Private-sector colleges and universities have historically lagged somewhat behind other institutions in their belief that online education was strategic, but they have now closed the gap.

Several previous Sloan survey reports have noted the gap that exists between institutions that profess that online is critical to their long-term strategies and those that have specifically included online within their strategic plans. In particular, three surveys—(1) for the APLU<sup>3</sup>-Sloan National Commission on Online Learning, a survey of APLU presidents and chancellors; (2) of Tribal College and University presidents; and (3) of presidents and chancellors of National Association for Educational Opportunity (NAFEO) member-institutions—found:<sup>4</sup>

All three surveys of campus leaders revealed a striking gap: Close to, or more than two-thirds of the responding CEOs recognized that *online programs are strategically important to the institution*, yet close to,



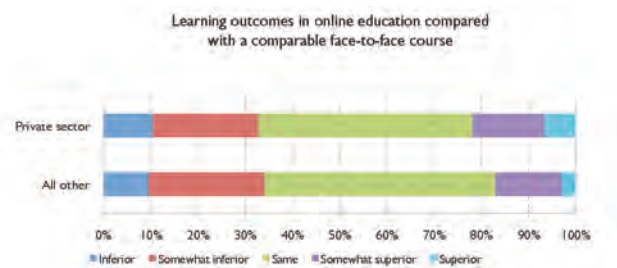
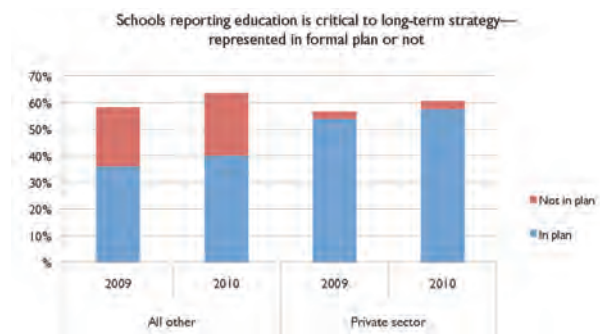
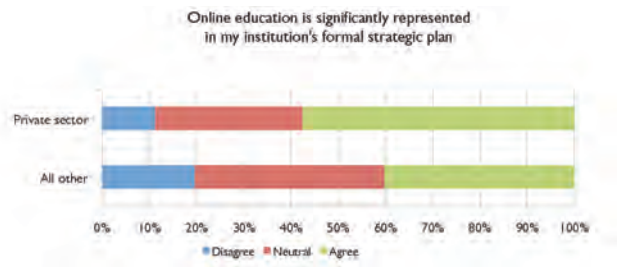
or less than one-half of respondents actually included online programs in the campus strategic plan. This gap exists even at a time when the number of students taking at least one online course continues to expand at a rate far in excess of the growth of overall higher education enrollments.<sup>5</sup> (emphasis original)

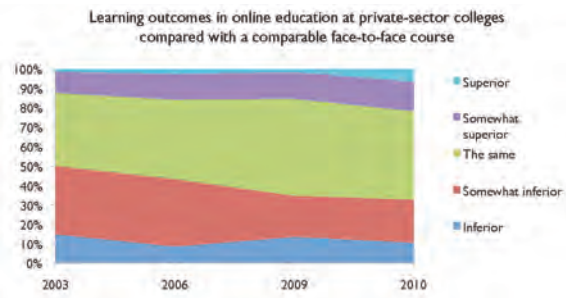
While private-sector colleges and universities may lag other types of higher education institutions in believing that online education is critical for their long-term strategies, they lead in acting on that belief. A larger percent of private-sector institutions report that online education is significantly represented in their formal strategic plans than do other types of institutions: 57.5% compared with 40.1%.

While the implementation gap between institutions that view online as critical and those that have it represented in their plans is a concern for most of higher education, it is nonexistent for private-sector colleges and universities. Virtually all private-sector institutions that report online is critical also report that online is significantly represented in their long-term strategic plans. This result has remained consistent for the past two years; the increased number of private-sector colleges indicating online education as critical is matched by a comparable increase in the number including it in their plans. This is not the case for other types of institutions, where substantial gaps continue to exist.

### Are Learning Outcomes in Online Comparable to Face-to-Face?

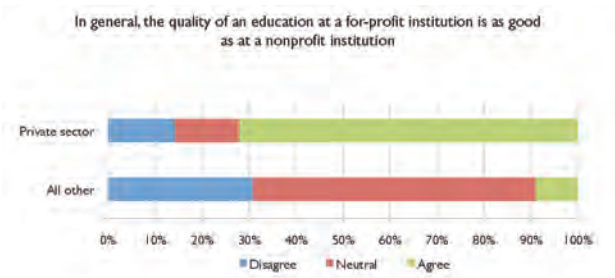
Since initially measured in 2003 by the Sloan survey, the proportion of chief academic officers reporting learning outcomes for online compared with face-to-face as “the same,” “somewhat superior,” and “superior” has shown a steady increase. In 2003, 57% reported that online is “at least as good,” while 2010 results indicated that two-thirds





(67.1% of private sector and 65.8% of all other institution types) now agree.

While the steady increase is good news for those that champion online education, it should also be noted that one-third of all academic leaders polled continue reporting the learning outcomes for online courses are inferior to those for face-to-face instruction. Overall, there has been some downward trending of that proportion over the eight years that these reports have been tracking this dimension—but no substantial recent changes among academic leaders at private-sector colleges and universities.



Recently, considerable attention has been focused on the growth of the for-profit sector; with proposed new rules for awarding financial aid and resulting in sometimes contentious congressional hearings. What opinions do the nonprofit and public institutions have about these private-sector institutions? In particular, do they believe that private-sector institutions provide an education that is of a quality equal to that provided by nonprofit institutions? There is a wide gap in opinions between the different types of institutions when institutions are asked about their perceptions of the relative quality of the education provided at for-profit institutions. Only 9% of the academic leaders at non-private-sector colleges agree that the quality of an education at a for-profit institution is as good as at a nonprofit institution. This compares with 72% of the leaders at private-sector colleges and universities who say for-profit institutions provide an education of equal quality. While it is not a surprise that this gap exists, it is somewhat surprising that 15% of academic leaders at private-sector institutions do not agree that they provide learning outcomes equal in quality to those at nonprofit institutions.

Note that we are measuring *perceptions* by academic leaders—not specific outcomes-based metrics. However, the results do show the widening gulf that appears to be developing among higher education institutions, with a



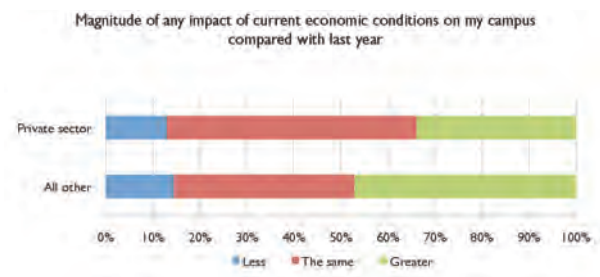
number of large, for-profit institutions moving aggressively into online—an area that public institutions have traditionally occupied. By enrolling large numbers of students, a number of the larger private-sector institutions have shown substantial growth, and with that, attracted considerable attention from both regulators and other higher education institutions.

### What Is the Impact of the Economy on Online Education?

Evidence from the two most recent national Sloan surveys<sup>6</sup> gives credence to the belief that poor economic times may be good for higher education. Institutions across the board reported that poor economic conditions led to increased demand for courses and programs, with the level of increase in demand for online courses and programs exceeding that for face-to-face. Virtually all institutions also reported an increase in applications for financial aid. The impact on institutional budgets was mixed, with some (primarily public) institutions suffering decreases and others seeing increases in the size of their overall institutional budgets.

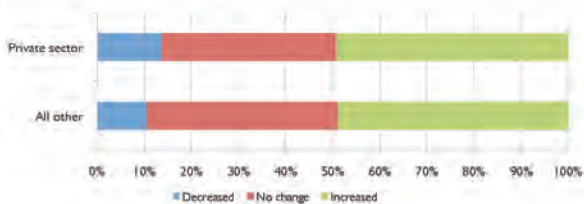
Unemployment remained high in fall 2010, and the overall economy had not returned to the era of sustained growth that preceded the current downturn. Is the extended downturn continuing to have the same impact on demand and budgets at higher education institutions? Academic leaders report that not only is the economy still having a large impact on their operations, but also, for many, the impact was even greater in 2010 than it was in 2009. Over one-third (33.8%) of private-sector colleges and universities and nearly one-half (47.1%) of all other institutions report that the economic impact was greater in 2010 than for 2009. Only a small fraction (13.1% of private-sector and 14.5% of all other institutions) say the impact was less in 2010 than in 2009.

Academic leaders also report that the nature and pattern of the economic impact were similar in fall 2010 to what





Demand for face-to-face courses and programs compared with last year



Demand for online courses and programs compared with last year



Demand for online courses and programs at private-sector colleges compared with last year



had been observed in fall 2009: increased demand for courses and programs, more applications for financial aid, and a different set of budget effects on different types of institutions.

As was the case in 2009, institutions in 2010 saw the effect of the economic downturn being translated to increased demand for face-to-face courses and programs. Almost one-half of all institutions (49.1% of private-sector colleges and 48.8% of all other institutions) report an increase in demand, with only 14% of private-sector colleges and universities reporting reduced demand for face-to-face courses and programs.

Nationally, many more institutions in 2009 reported that economic conditions had led to an increase in demand for online courses and programs than for face-to-face. The same pattern was evident in 2010 as well. A large majority (70% of private-sector and 75% of all other institutions) report that they see increases in demand for online courses and programs as a result of the current economic downturn. Almost no schools report decreases in demand for online courses and programs.

The year-to-year comparison of the change in demand shows a further increase over the substantial rate observed in 2009. In 2009 over one-half of all private-sector colleges and universities reported an increase in demand for online courses and programs (59.1% for existing online courses and programs, 52.2% for new online courses and programs), while in 2010 there was a second straight substantial increase: 70% for any type of online course or program.

Hard economic times may translate into more potential students, but often, those students require more financial aid. Virtually no institutions saw a decrease in the demand for financial aid in either 2009 or 2010, and a large majority saw demand for aid increases. The same proportion of both private-sector colleges and universities and all other institu-

tions (86%) reported that the demand for financial aid had increased year to year in 2009. A large majority of institutions saw even greater demand in 2010, with private-sector colleges reporting a slightly lower increase (73.2%) than reported by other types of institutions (87.9%). In all cases, the 2010 increase comes on top of the increases already reported for 2009.

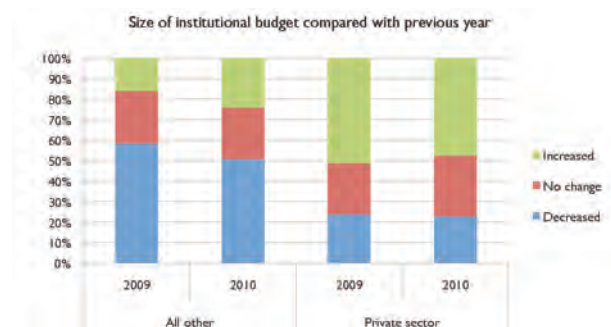
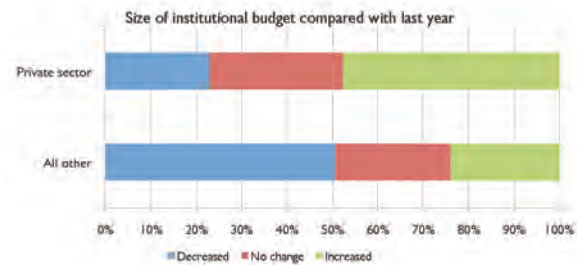
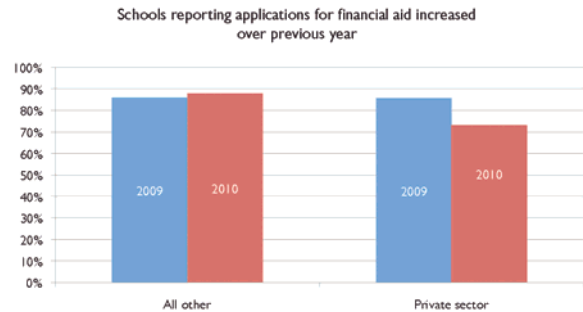
The impact of hard economic times is felt in many ways. One particular problem for public-funded institutions is that reduced tax receipts and state deficits often lead to reduced allocations for higher education. In that respect, private-sector colleges and universities are doing far better than most other types of institutions, with nearly one-half (47.6%) reporting increased budgets for 2010 and less than one-quarter (22.9%) seeing reductions. This compares favorably with all other institutions, where the majority (50.7%) are experiencing reduced budgets.

On one hand, the budget pressure on public institutions, while still substantial, eased a bit from 2009 to 2010. However, over one-half of the institutions outside the private sector reported decreases in their budgets for the most recent year. Private-sector colleges and universities, on the other hand, are faring considerably better, with nearly one-half reporting increases in their budgets in 2010 over 2009.

### Proposed Federal Regulations on Financial Aid

The year 2010 and the first quarter of 2011 saw an unusual amount of attention paid to higher education on the part of the federal level, with congressional hearings on new rules for financial aid and student recruiting. While the regulations would apply to all institutions of higher education, there has been a clear federal focus on the private sector:

The Obama administration today released a broad set of rules to strengthen federal

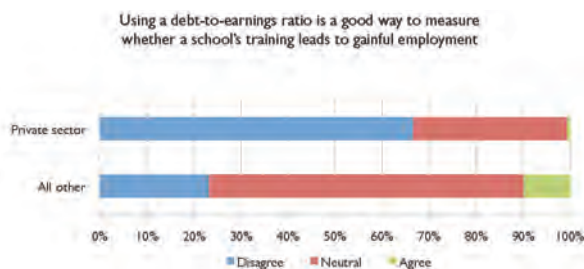
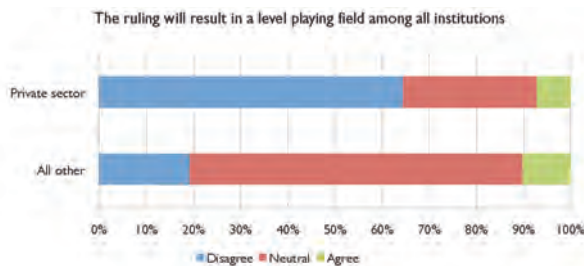


student aid programs at for-profit, non-profit and public institutions by protecting students from aggressive or misleading recruiting practices, providing consumers with better information about the effectiveness of career college and training programs, and ensuring that only eligible students or programs receive aid.<sup>7</sup>

Academic leaders at all types of institutions were polled on their views of the potential impact of the changes in federal procedures—with the survey taking place after the hearings and initial proposed rules were made public, but before final regulations were issued. As noted later, the opinions of academic leaders at private-sector colleges and universities differ considerably from those of academic leaders at all other institutions.

There is very little positive comment from any corner of higher education on the proposed rulings. Higher education leaders at private-sector colleges and universities in particular have extremely negative views of the regulations, while those at other types of higher education institutions remain, at best, undecided on the regulations' merits. When asked whether the regulations would result in a level playing field among higher education institutions, the overwhelming majority of private-sector academic leaders are negative, while those at other types of institutions are neutral.

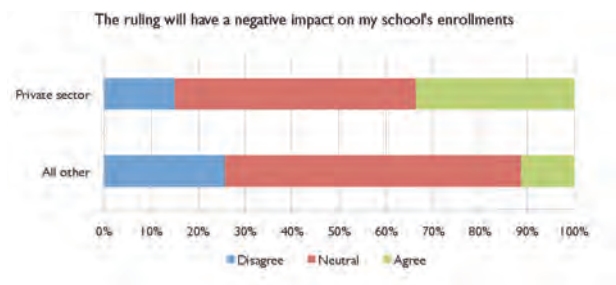
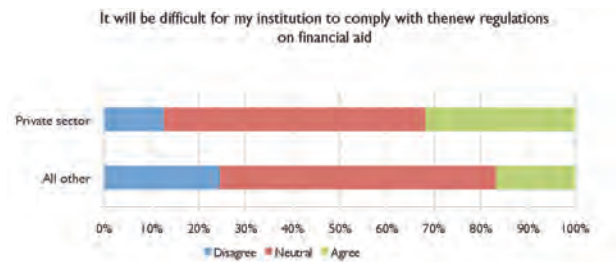
When polled about one of the primary tenets of the proposed rules—the use of a debt-to-earnings ratio as a measure of whether a school's training leads to gainful employment—academic leaders are even more pessimistic: only 1% of those at private-sector colleges and universities say that using a debt-to-earnings ratio is a good approach. Two-thirds (66.7%) of academic leaders at private-sector colleges disagree, with the remainder neutral. The results are less extreme at other types of institutions, but still not supportive: only 10% agree that using a debt-to-earnings



ratio is a good approach. The remaining majority (62.2%) are taking a wait-and-see approach and remain neutral on the topic.

Almost a third of private-sector colleges and universities (31.8%) say it will be difficult for their institutions to comply with the new rules. A smaller fraction (12.7%) are certain that compliance will not be an issue, with the majority (55.5%) remaining neutral. The proportion expecting compliance issues (16.8%) to arise at other types of institutions is about one-half that of the private sector.

What impact will the new financial aid rulings have? Will the additional restrictions on the use of federal financial aid have a negative impact on institutional enrollments? It is among the private-sector colleges and universities that the estimated impact is greatest. These institutions report potential impact on their enrollments at nearly triple the rate (33.6% compared with 11.2% for all other institutions). The majority (51.2% for private sector and 63.1% of all others) are neutral—perhaps waiting to learn all the details of the final rulings before deciding.



## WHAT IS ONLINE LEARNING?

For the purposes of this report, online instruction is defined as courses in which at least 80% of course content is delivered online. Face-to-face instruction is defined as courses in which 0% to 29% of content is delivered online; this category includes both traditional and Web-facilitated courses. The remaining alternative—blended (sometimes called hybrid) instruction—is defined as delivering 30% to 80% of course content online. These definitions were presented to the respondents at the beginning of the survey and were repeated in the body of individual questions when appropriate.

Even though there is diversity among the course delivery methods used by individual instructors, the following table illustrates the prototypical course classifications used in this study.

PROPORTION OF CONTENT DELIVERED ONLINE	TYPE OF COURSE	TYPICAL DESCRIPTION
0%	Traditional	Course with no online technology used; content delivered in writing or orally
1% to 29%	Web facilitated	Course using Web-based technology to facilitate what is essentially a face-to-face course; may use a course management system (CMS) or Web pages to post syllabus and assignments
30% to 79%	Blended/hybrid	Course that blends online and face-to-face delivery; substantial proportion of content delivered online; typically uses online discussions; typically has a reduced number of face-to-face meetings
80+%	Online	Course where most or all content is delivered online; typically has no face-to-face meetings

## SURVEY METHODOLOGY

The focus of this report is on private-sector colleges and universities, defined as institutions listed in the higher education database of the National Center for Education Statistics' Integrated Postsecondary Education Data System (IPEDS)<sup>8</sup> as for-profit and Title IV eligible. Comparison statistics for this analysis are derived from a sample composed of all active, degree-granting institutions of higher education in the United States that are open to the public.

All sample schools were sent invitational e-mails and reminders soliciting their participation and assuring them that no individual responses would be released. A total of 2,583 responses were included in the analysis for 2010. The 2010 responses were merged with the data from the previous survey years (994 responses in 2003, 1,170 in 2004, 1,025 in 2005, 2,251 in 2006, 2,504 in 2007, 2,577 in 2008, and 2,590 in 2009) for examination of changes over time.

Institutional descriptive data come from the College Board Annual Survey of Colleges and from the National Center for Education Statistics' IPEDS database. After the data were compiled and merged, responders and non-responders were compared in order to create weights, if necessary, to ensure that the survey results reflected the characteristics of the entire population of schools. The responses are compared in 35 unique categories based on the 2005 Carnegie Classification of Institutions of Higher Education.<sup>9</sup> The weights provide small adjustments to the results so that inferences can be made about the population of institutions of higher education in the United States.

All data for this study have been collected with full promises of privacy for respondents; individual results are never released. Pearson Learning Solutions generously provided sponsorship for the analysis and production of this report. Pearson Learning Solutions had no access to the individual-level data. And Pearson was involved in neither the analysis nor the writing of the report. The contents of this report are the sole responsibility of the Babson Survey Research Group.

## REFERENCES

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2. Defined as for-profit and Title IV eligible or listed as a member of the Association of Private Sector Colleges and Universities. See the Survey Methodology section for more details.
3. Association of Public and Land-grant Universities.
4. <http://www.aplu.org/NetCommunity/Page.aspx?pid=282>.
5. <http://www.aplu.org/NetCommunity/Document.Doc?id=1877>.
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## ABOUT BABSON SURVEY RESEARCH GROUP



The study design, the survey administration, and the analysis and writing for this report are the responsibilities of the Babson Survey Research Group.

The Babson Survey Research Group in the Arthur M. Blank Center for Entrepreneurship at Babson College conducts regional, national, and international research projects, including survey design, sampling methodology, data integrity, statistical analyses, and reporting.

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### National and Regional Sloan Surveys of Online Education

Class Differences: Online Education in the United States, 2010

Learning on Demand: Online Education in the United States, 2009

Staying the Course: Online Education in the United States, 2008

Online Nation: Five Years of Growth in Online Learning

Making the Grade: Online Education in the United States, 2006

Making the Grade: Online Education in the United States, 2006, Midwestern Edition

Making the Grade: Online Education in the United States, 2006, Southern Edition

Growing by Degrees: Online Education in the United States, 2005

Growing by Degrees: Online Education in the United States, 2005, Southern Edition

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Class Connections: High School Reform and the Role of Online Learning

K-12 Online Learning: A 2008 Follow-up of the Survey of U.S. School District Administrators

K-12 Online Learning: A Survey of U.S. School District Administrators

### The APLU-Sloan National Commission on Online Learning

Online Learning as a Strategic Asset, Volume II: The Paradox of Faculty Voices: Views and Experiences with Online Learning

Online Learning as a Strategic Asset: A Survey of APLU Presidents and Chancellors

Online Learning as a Strategic Asset: A Survey of NAFEO Presidents and Chancellors

Online Learning as a Strategic Asset: A Survey of AIHEC Tribal College and University Presidents





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