

*chepa*

Center for Higher Education Policy Analysis

**Expanding the Horizon:**  
**For-Profit**  
**Degree Granting**  
**Institutions in Higher Education**  
**An Annotated Bibliography**



**USC**  
ROSSIER  
SCHOOL OF  
EDUCATION

A publication of the Center for Higher Education Policy Analysis  
Rossier School of Education  
University of Southern California



**Center for Higher Education Policy Analysis**

Copyright 2003

We encourage readers to reproduce and disseminate this document with permission. The document is also available in PDF format on the CHEPA web site at:  
**<http://www.usc.edu/dept/chepea>**.

If you would like to be placed on our mailing list, send us an email at:  
**[chepea@usc.edu](mailto:chepea@usc.edu)**.

CHEPA

University of Southern California

Rossier School of Education

Center for Higher Education Policy Analysis, WPH 701

Los Angeles, CA 90089-0031

Tel: (213) 740-7218 / Fax: (213) 740-3889

[chepea@usc.edu](mailto:chepea@usc.edu)

**Expanding the Horizon:**

**For-Profit**

**Degree Granting**

**Institutions in Higher Education**

**An Annotated Bibliography**

Vicente M. Lechuga

William G. Tierney

Guilbert C. Hentschke

A publication of the Center for Higher Education Policy Analysis  
Rossier School of Education  
University of Southern California

# Introduction

In recent years, higher education has witnessed the entry of a new breed of postsecondary education providers. These institutions have reshaped the traditional views of the function and purpose of higher education. For-profit education institutions provide a small but rapidly growing segment of the student population with the knowledge and skills required to compete in the current job market. As new technologies continue to emerge, education is increasingly important to employees seeking to upgrade their skills and to employers pursuing individuals who possess the necessary experience and education to help their organizations succeed. Given the increasing monetary returns associated with additional schooling, education is no longer an option individuals exercise at a particular point in life. It is an ongoing, life-long process necessary to remain viable in a competitive job market. Access to lifelong learning is a critical component of success to a growing population of citizens.

For-profit, postsecondary education providers encompass a wide range of organizations. Corporate universities, such as Motorola University, Disney University, and University of Toyota provide corporate training and professional development opportunities to their employees; i.e., education is an auxiliary, not a core mission, of these organizations. Vocational and trade schools offer certificates and diplomas in diverse fields ranging from secretarial training to plumbing. We will consider these types of institutions in subsequent publications. This bibliography contains entries that focus specifically on for-profit, degree-granting educational institutions within the United States. These institutions offer Associate, Baccalaureate, Master and/or Doctoral training, many in addition to certificates and diplomas. National and/or regional accrediting agencies accredit many of these institutions; the majority of them offer courses online and in person.

The bibliography that follows provides insight into many of the issues that challenge the future of our higher education system. It is based on a systematic review of the generally available literature conducted in early 2003. The literature search covered the years 1996-2003, from the recent emergence of the for-profit, degree-granting institutions to the present. The project used the following research databases to retrieve information: ArticleFirst, Chronicle of Higher

Education Back Issue Archives, Dissertation Abstracts International, ERIC (via FirstSearch), Google, Lexis-Nexis Academic Universe, ProQuest, Wilson Select (via FirstSearch), Wilson-Select Plus (via FirstSearch), and WorldCat. The search employed the following terms: “for-profit” or “for profit” or “proprietary,” followed by the following suffixes, “higher education” or “university” or “college” or “education” in separate searches.

This bibliography does not include literature which is generated by proprietary organizations that typically produce studies and reports on for-profit business across some or all industries, e.g., Moringstar.com and Eduventures.com. Nor does it include publicly available reports required by for-profit universities that are publicly traded, e.g., the annual reports (form 10K) filed with the U.S. Securities and Exchange Commission. Short news articles on individual for-profit universities that run in the financially oriented print media such as the *Wall Street Journal* are also excluded. Those sources focus largely on financial transactions and short-run financial performance of individual institutions. We also have saved a discussion about for-profit higher education outside the United States for another time.

General findings from the review of literature indicate that a lack of research in the area of for-profit higher education exists, accounting for the limited number of research-based articles in the area. While academics have authored a number of articles, journalists and individuals associated with for-profit education institutions contributed much of the literature. Many of the citations are based on anecdotal evidence. However, a small number of entries base their reports on quantitative and qualitative research methods, including survey analysis, interviews, and analysis of data sets from the Integrated Postsecondary Educational Data System. A number of annotations focus only on the larger for-profit institutions such as the University of Phoenix and DeVry University. Although conflicting points of view exist about the impact for-profit institutions will have on traditional non-profit colleges and universities, most authors agree that these institutions will occupy a permanent place in the landscape of higher education.

The articles in this review are arranged alphabetically by author or issuing agency. Dissertations are listed separately, at the end of the bibliography. Each entry contains a bibliographic reference conforming to the Publication Manual of the American Psychological Association. Summaries of each entry, along with major findings or assertions, follow each bibliographic reference.

This monograph has been made possible through a generous grant from the Atlantic Philanthropies, as part of a research study conducted by the Center for Higher Education Policy Analysis (CHEPA) at the University of Southern California. The project, *Challenges for Shared Governance*, is a three-year undertaking that will analyze and recommend ways to improve shared governance in four-year colleges and universities.

## Periodicals

**Anonymous. (2001, November/December). The contours of for-profit higher education. *Change*, 33 (6), 47-50.**

As state appropriations to higher education decrease along with an erosion of public trust for colleges and universities, for-profit institutions pose an increased threat to traditional non-profit entities, especially public four-year institutions. Researchers from Stanford University and Columbia University's Community College Research Center conducted a study of for-profit higher education institutions. Researchers analyzed data from the Integrated Postsecondary Educational Data System (IPEDS) for the years 1992 through 1997. Data show that for-profit institutions do not pose a threat to public two-year colleges, in part because a large portion of two-year, for-profit institutions are not regionally accredited. However, for-profit universities have a greater potential to penetrate the higher education market by focusing their competitive attention on four-year public institutions. In 1997, more than 60% of four-year, for-profit institutions were regionally accredited, and their total enrollment share increased by one percentage point in only five years. Yet four-year, for-profit institutions produced only a small number of bachelor's degrees—less than 1%. For now, the threat of for-profit institutions in the four-year non-profit sector is minimal. At the same time, however, for-profits are in the unique position of being able to offer both associate and bachelor's degrees. Unlike the four-year private/non-profit and public institutions, four-year for-profit universities award a similar number of baccalaureate and associate degrees, 12,000 and 13,000 respectively for 1997. The author closes by summarizing the data and poses questions about whether or not community colleges should begin offering a bachelor's degree.

**Blumenstyk, G. (2000, December 8). How for-profit institutions chase community college students. *The Chronicle of Higher Education*, p. A30.**

Community colleges are recruiting grounds for many for-profit institutions. The University of Phoenix, for example, has a branch located on the campus of a community college. Articulation agreements with that community college allow students to transfer credits earned from some technologically oriented associate degree programs toward a bachelor's degree program at the University of Phoenix.

DeVry University has had articulation agreements in place with a number of community colleges since 1995. These types of agreements are helpful to the for-profit institutions and the community colleges. Many traditional non-profit universities have unclear transfer policies and articulation agreements, making it difficult for students to transfer credits from community colleges. For-profit institutions are taking advantage of this by creating partnerships with community colleges that allow students to easily flow from their A.A. programs into a bachelor's program at a for-profit institution. For-profit universities are a sensible alternative for these students; unlike many traditional universities, for-profit institutions offer flexible schedules, allowing the non-traditional student to enroll in a bachelor's program without having to sacrifice work or other obligations. The author explains that for many four-year, non-profit institutions, these efforts by the for-profits do not pose a considerable threat. Yet, articulation agreements between for-profit and non-profit institutions may be well received by some state legislators who would like to see an increase in transfer rates between the two-year and four-year institutions. Although skeptics remain, a number of the community colleges profiled in the article have seen benefits from such partnerships.

**Breneman, D., Pusser, B., & Turner, S. (2000). *The contemporary provision of for-profit higher education: Mapping the competitive market*. Unpublished manuscript, University of Virginia.**

Using data from the Integrated Postsecondary Educational Data Systems (IPEDS), this report offers detailed information regarding the social and economic factors that have contributed to the resurgence of for-profit postsecondary institutions. The first section of the paper provides a historical context of the for-profit higher education market. Proprietary education dates back to the late 19th century, providing instruction in areas of teaching, medicine, and law that allowed individuals to progress into professional careers. The comprehensive research university formed in the 20th century with a focus on undergraduate education, graduate training, and research activities. Public funding for higher education accompanied the development of the comprehensive institutions. The Higher Education Act of 1972 offered incentives for for-profit institutions to emerge; the advent of new technologies along



with public demand for higher education encouraged a resurgence of for-profit institutions. In the second section, the authors provide demographic information regarding for-profit, postsecondary institutions. The authors reveal that there are nearly as many for-profit institutions as there are non-profit institutions. However, the report indicates that the majority of for-profit institutions (77.5%) offer programs lasting no longer than two years, which culminate in certificates rather than degrees. Four-year, for-profit degree-granting institutions account for about 7% of all four-year postsecondary institutions. Section three discusses economic factors that account for the rapid expansion of the for-profit education market. On the supply side, access to capital from investors, lower cost per student, and economies of scale enable for-profits to capture a share of the higher education market from traditional non-profit institutions. Accreditation poses a major barrier to for-profit marketability. Without institutional accreditation, enrolled students are not eligible to apply for federal financial aid under Title IV. On the demand side, for-profits have taken advantage of the high demand for training that older, non-traditional students seek. The future growth of for-profit institutions may depend on whether or not students and employers view a for-profit education as a viable substitute for that of a traditional non-profit university. A major issue among academics concerns the risk that higher education will become more of a private, rather than a public, good.

**Cook, R., & Fennell, M. (2001). Capital gains: Surviving in an increasingly for-profit-world. *The Presidency*, 4(1), 28-33.**

While for-profit institutions continue to enter the education market, a number of traditional non-profit institutions struggle to remain viable as their enrollments drop. The authors argue that non-profit higher education institutions lose their share of students to for-profit colleges because they are ill-prepared to deal with the changes taking place in the higher education market, changes such as new technology and student demographics. For-profit colleges are managed as businesses, where presidents are aware of program costs and concern themselves with the bottom line. This article provides non-profit institutions with strategies used by the for-profit education sector, including establishing a professional cost accounting system to assess whether or not course offerings are financially viable, the use of zero-based

budgeting when planning new programs, and differentiation of marketing techniques used to recruit students at different levels of education.

**Education Commission of the States. (2001, July). *Meeting the needs and making profits: The rise of the for-profit degree-granting institutions* (Report No. FP-01-01W). Denver, CO: Kathleen F. Kelly.**

The rapid growth of the for-profit higher education sector attracts interest from those in business and higher education. Many individuals in academe criticize for-profit motives as not being compatible with the academic values of non-profit institutions. Traditional institutions contend their focus is on furnishing students with critical and analytical abilities, rather than teaching job-training skills. The Education Commission of the States (ECS), supported by a grant from the Sloan Foundation, undertook a three-year study to examine for-profit institutions from the viewpoints of owners and managers, faculty members, and students. Their report is based on extensive interviews, conducted from 1999 to 2000, with more than 80 individuals on 13 campuses and central offices of five corporate institutions. The report divides for-profit institutions into three types: the enterprise colleges, which consist of small, local institutions; the super systems, which enroll thousands of students on numerous campuses located throughout the country; and Internet-based institutions that use technology to deliver their educational programs. According to several leaders of for-profit universities, four characteristics distinguish for-profits from traditional non-profit institutions: career orientation, customer focus, hands-on learning approaches, and convenience. Other findings include data indicating that for-profit institutions' share of the two-year and four-year education market has grown substantially over the past decade. In addition, a number of faculty expressed satisfaction with their positions as part-time instructors. Faculty with experience at traditional non-profit institutions expressed satisfaction having chosen to teach at a for-profit university because of the focus on teaching over the demands of research and publication. For students, the main reason they chose to attend a for-profit was that it met their needs. Many attended traditional institutions and failed, but the career oriented, hands-on learning provided them with the incentive to complete a program of study.

**Education Commission of the States. (2000, March). *Survey analysis: State statutes and regulations governing the operation of degree-granting for-profit institutions of higher education* (Report No. PS-00-02). Denver, CO: Tunde Brimah.**

The rapid growth of for-profit higher education institutions prompted the Education Commission of the States (ECS) to undertake a study regarding the manner in which state agencies regulate proprietary/for-profit educational institutions. ECS surveyed eleven states with large for-profit education sectors, including New York, California, and Florida to determine whether public agencies responsible for consumer protection and oversight regulate such entities. Results from the survey show that states have no specific definition distinguishing for-profit from non-profit institutions. In addition, for-profit universities look less like proprietary schools and more like public and private non-profit institutions. Adult students and employers also reported that there is no difference between the types of education received at for-profit universities compared to non-profit institutions.

**Education Commission of the States. (2000, January). *Report from the regions: Accreditors' perceptions of the role and impact of for-profit institutions in higher education* (Report No. PS-00-01W). Denver, CO: Peter Ewell & Paula Schild.**

For-profit universities serve a particular student population interested in specialized training for technical and professional careers and therefore do not pose a significant threat to the existence of traditional non-profit institutions. Perceptions of for-profit institutions from those in academe are less than flattering, even though a number of for-profits are regionally accredited by the same bodies that accredited traditional non-profit institutions. The Education Commission of the States (ECS), under the auspices of the Sloan Foundation's project on for-profit providers, asked the National Center for Higher Education Management Systems (NCHEMS) to conduct a study of seven regional accrediting agencies and their perceptions of the role and impact of for-profit institutions. The study, along with its findings, is outlined in detail. Among the findings, the study revealed that the overall approach for accrediting proprietary institutions is no different than the approach used to accredit non-profit institutions. Most accrediting agencies do not have separate standards for for-profit institutions,

but many apply their existing standards differently, especially standards regarding governance and finance, with governance posing one of the largest obstacles to for-profit accreditation. The lack of independence of governing boards from CEOs is the main concern of regional accrediting bodies.

**Education Commission of the States. (1999, November). *Literature review: For-profit degree-granting institutions within higher education.* (Report No. PS-99-3). Denver, CO: Tunde Brimah.**

ECS's literature review of profit-making institutions provides an understanding of the economic and social environments that prompted the emergence of these institutions. Using online research and the Lexis-Nexis database, ECS collected information about for-profit institutions and the ways they operate. The review focuses on institutions that offer associate, bachelor, master, and/or doctoral degrees. They avoid discussing traditional proprietary institutions, and trade colleges that only offer certificate training. The report begins with an in-depth overview of the for-profit education sector, which provides the reader with a basis for understanding the for-profit market. The author describes the opportunities that permitted for-profit institutions to penetrate this market. While non-profit institutions focused their attention on students ages 18-24, for-profit universities realized an opportunity for growth by focusing on the segment of adult students that traditional universities ignored. The introduction also provides information about the barriers to entry into the postsecondary education market. The sections within the literature review focus on the factors that contribute to the rapid growth of this sector, forces that support this growth, and the effectiveness of for-profit institutions in meeting the growing demand for higher education.

**Garber, M.P., & Steiger, F. (1996). *Wall Street PhD: For-profit education can be good for business and for education.* *National Review*, 48(18), 57-59.**

Investors on Wall Street have taken an interest in education companies because of the roughly \$600 billion spent on education per year (in 1996). In this article, analysts compare the public's dissatisfaction with the educational system to the nation's

discontent with the health care system. Until the advent of HMOs in the 1970s, the inefficiently managed public and non-profit health care providers had little competition. Medical costs rose considerably without a comparable rise in health care quality. The authors assert that, like the influence HMO's had on the medical community, the competition non-profits bring to the higher education market raises the overall quality of our nation's education system.

**Goldstein, M.B. (2000, September/October). To be (for-profit) or not to be: What is the question? *Change* 33(5), 24-31.**

The education market has been overwhelmingly affected by technological innovations such as the Internet. The success of for-profit higher education institutions is due, in part, to their ability to link technology with education. Critics of for-profit postsecondary institutions often point to a lack of faculty involvement in governance and a lack of control over the curriculum as factors that spoil the purity of our higher education system. Yet, the number of for-profit higher education institutions as well as the number of partnerships between non-profit and for-profit institutions continues to increase. An obvious reason accounting for the tremendous increase in the number of partnerships is economic: annual expenditures in the postsecondary market exceed \$230 billion. Goldstein offers additional reasons why education entities decide to enter the technology-mediated education market. He presents three models: a financial (economic) model, an alternative financial model, and a non-traditional model. The author also details the characteristics that make up the models, explaining that each is designed to meet specific goals. National Technological University is used as an example to illustrate how a non-profit university integrates many of its characteristics into the creation of a wholly-owned, for-profit subsidiary used to raise capital for its non-profit counterpart. Goldstein provides a list of central components that NTU retained when creating its for-profit subsidiary. Creating new "courseware," for example, costs hundreds of thousands of dollars. Multiply that cost by the number of courses offered, and one can understand the amount of money needed to provide curricula. For-profit marketing, which plays a significant role in the success of these institutions, is expensive, and the costs are much more substantial than those incurred by traditional non-profit institutions.

Given these constraints, the financial/economic model can be used to generate large amounts of capital to subsidize the costs affiliated with operating an institution. In the alternative financial model, the company gives stock options to many of its employees, such as professors, as an incentive to lure them away from the traditional university. Knowing that the stock options potentially could be worth millions, many faculty members decide to leave their posts and join the for-profit sector. Goldstein closes by stating that institutions seeking to create a separate unit to facilitate e-learning should be aware that organizing as a for-profit entity is sometimes not the best approach to for achieving specific goals.

**Klor de Alva, J. (1999/2000, Winter). Remaking the academy in the age of information. *Issues in Science and Technology*, 16(2), 52-58.**

Education is no longer an option one exercises at a particular point in life. It is now an ongoing, life-long process required for employers and employees who expect to remain competitive in the future. Klor de Alva, former President of the University of Phoenix, offers data from a 1998 poll of the 50 state governors. The data reaffirms that the public is interested in lifelong learning, obtaining an education at any time and in any place using technology, and integrating on-the-job training into the regular curricula. He also presents the University of Phoenix education model, proven to be successful for the company, and presents six principles and practices that form the basis for the model. The foundation for the rapid growth in the for-profit industry, he argues, is based upon employers' need for more skilled workers. The percentage of workers classified as "skilled" continues to rise as new technologies and a reliance on human capital (as opposed to physical or financial capital) shape the job market. Education is moving in a similar direction by emphasizing the certification of competencies and focusing on the acquisition and demonstration of knowledge and skills—"what you know" rather than "what you have taken." Institutions that can serve the needs of an ever-changing global economic society will continue to flourish, and those that cannot adapt will likely fade away.

**Marchese, T. (1998, May/June). Not-so distant competitors: How new providers are remaking the postsecondary marketplace. *AAHE Bulletin*, 24-35.**

Although this article does not exclusively focus on for-profit, degree-granting institutions, it discusses several fundamental changes taking place in higher education. Marchese describes how the American higher education system faces “an explosive array of new competitors” from the for-profit market. The University of Phoenix, for example offers its students convenience, yet the author predicts that it is only the first of a number of new for-profit providers that will eventually play a major role in the future landscape of higher education. Also mentioned are a number of ambitious distance education projects such as Western Governors University, whose founders include 17 governors and 14 business partners such as IBM, AT&T, Cisco, and Microsoft, and the California Virtual University. Individual, non-profit institutions are partnering with corporations to offer continuing education courses to company employees. Even though for-profit and distance educations currently accounts for about 2% of the postsecondary market, Wall Street investors are aware that the higher education market is “ripe for the picking.” Marchese suggests that our established college and universities face four main threats. First, all colleges face threats to their continuing education and/or extension programs, and to degree-completion. Second, institutions will feel increased pressure to offer undergraduate and graduate programs that are convenient for their students. Third, debates will arise at traditional institutions about whether or not to replace existing “home grown” courses with nationally produced courseware. And last, all institutions may see their undergraduate programs erode when their students appear with “brand-name” course credits taken over the Internet. Although a number of the corporate ventures mentioned in Marchese’s article had mixed results, the article received national attention and brought for-profit education to the forefront of academe.

**Miller, M.A. (2000, July/August). The marketplace and the village green. *Change*, 32(4), 4-5.**

The article begins by defining public education institutions as those supported by state appropriations, yet many states now provide tuition assistance to students who attend private universities. Miller believes that although there are legal differences between non-profit and for-profit education, the distinction between public and private education is blurred. For example, it is no longer possible to assert that non-profit institutions alone serve the public good, or that for-profit institutions are only motivated by profits. For-profit universities serve the public good by providing access to postsecondary education for disadvantaged students, including students of color. The author asserts that public institutions are in danger of losing public support and state appropriations if their missions are not clearly distinguishable from those of for-profit institutions. Public institutions need to demonstrate that their missions provide societal benefits that for-profit institutions do not, and they need to show that they provide their students with a broader education that prepares them for life and a career.

**Morey, A. (2001). The growth of for-profit higher education. *Journal of Teacher Education*, 52(4), 300-316.**

The emergence of for-profit, degree-granting institutions concern many in the higher education community who feel that this type of education focuses on job training skills rather than educating individuals. This article examines the recent success of for-profit education institutions, whose growth is fueled by emerging technologies and the ability to cater to the non-traditional student population. Older part-time students prefer a different type of relationship with their institutions and will forego a brand name degree program in favor of a more convenient education that meets their needs. The author uses the University of Phoenix as an example of how small class size, competitive pricing, and convenient schedules can prepare students for the job market as well or better than traditional universities. For-profit universities are offering teacher education programs, once the exclusive domain of traditional non-profit institutions. The author asserts that teacher education programs offered at for-profit institutions rarely go beyond the necessary state requirements, while many



traditional programs use the state requirements as a foundation for their programs. However, many states with teacher shortages may be willing to revise certification requirements as long as these graduates are able to pass state-administered teacher examinations.

**Ortmann, A. (2000, March). *Capital romance: Why Gordon Gekko fell in love with higher education*. Paper presented at the Seminar on For-profit Education at the University of Virginia, Charlottesville, VA.**

In recent years, publicly traded degree-granting providers have become more visible on Wall Street. The number of for-profit postsecondary institutions continues to grow as companies such as the Apollo Group (University of Phoenix) and DeVry University flourish. This paper presents an inventory of reasons analysts give to persuade investors to invest in publicly traded postsecondary institutions. The inventory was compiled from interviews with 10 market analysts conducted by the *Wall Street Transcript* between May 1997 and April 1999. The shift to a knowledge-based and technology-driven economy is considered a major driver in the emergence of for-profit institutions. The income premium that accompanies those with IT-related skills contributes to the increased demand for postsecondary education by adults. In addition, government funding is considered a steady source of revenue—a feature that makes the postsecondary education industry attractive to analysts. Even though for-profit institutions compete against highly subsidized institutions, analysts believe that for-profits are better able to understand that education is first and foremost a service industry that must focus on students' and prospective employers' satisfaction rather than on such issues as faculty research. However, analysts also consider the relatively short operating histories of for-profit education providers a detriment in assessing the quality of the management. Overall, the author believes that “the analysts paint a reasonably accurate picture of the threats and opportunities” of investing in postsecondary education providers, and believes that the analysts' interpretation of publicly traded education institutions are congruent with modern economic theories.

**Pusser, B., & Doane, D.J. (2001, January/February). Public purpose and private enterprise: The contemporary organization of postsecondary education. *Change* 33(5), 18-22.**

This article contrasts for-profit with traditional non-profit institutions to provide a better understanding of the future of higher education. The authors focus on four central forces of contradiction. In the first section, "Challenges to the Market Model," the authors contemplate the use of the word "market" to describe the higher education system. In some ways the word describes elements of the higher education system. Our higher education system operates by using principles of supply and demand, and it also responds to price sensitivity in a competitive environment. The authors go on to explain the evolution of the non-profit, degree-granting universities. They assert that students are vulnerable to an information asymmetry in which the "producers" are more knowledgeable about the content and delivery of the educational product than are the "purchasers." The non-profit aspects of higher education institutions minimize the chances of fraud caused by the information asymmetry. A third section contrasts the production of public or private economic and social benefits provided by non-profit and for-profit higher education. The last section examines non-profit and for-profit institutions as political organizations that control a significant amount of public resources and selectively allocate costs and benefits.

**Ruch, R. S. (2001). *Higher Ed, Inc.: The rise of the for-profit university*. Baltimore, MD: Johns Hopkins University Press.**

Higher education institutions are typically imagined as non-profit organizations, unrivaled in their ability to offer the kind of education and training necessary for personal success. The recent development of for-profit universities gives rise to questions regarding the nature of an education driven by profit motives. The possibility that a university could provide a quality college education while at the same time making a profit is a new and controversial idea that contradicts the principles of traditional, non-profit, higher education institutions. Ruch, an experienced educator and administrator, offers a compelling look into the world of for-profit education. Intended for members of the non-profit education community,

the book examines legitimacy of for-profit higher education. Ruch reveals similarities as well as differences between both sectors, pointing out that while institutional missions might differ between the non-profits and for-profits, their methods and outcomes are similar. He makes direct comparisons between non-profit and for-profit institutions, blurring the lines between making profit and building endowment. He also responds to critics of for-profit education who believe that it is neither appropriate nor possible to offer a quality education while profiting from it. At times, Ruch portrays the for-profit education market in an ideal light, while attempting to dispel the myth that education and profit cannot co-exist within the same domain.

**Schrage, M. (1998, October). Brave new world for higher education. *Technology Review*, 104(8), 90-91.**

It is increasingly apparent to employers that many students graduating from top-tier universities possess neither the knowledge nor the skills to compete in a competitive job market. The rise of for-profit higher education may signal the public's discontent with the quality and training traditional institutions provide their students. In this article, Schrage explores the future of higher education software by contrasting MIT's "OpenCourseWare" with the software for-profit universities use to create online curricula. Institutions such as Harvard, Berkeley, and MIT are well-respected universities with established traditions of preparing students for the marketplace. At the same time, they provide for-profit institutions with an economic incentive to produce more innovative curricula than their non-profit counterparts. For-profit universities such as the University of Phoenix have a tremendous impact on postsecondary institutions because they are able to better serve students' needs through technological innovation and a focus on adult students. They also provide students with the proper skills and training traditional universities do not. Schrage poses a compelling question by asking whose "courseware" will be educating more people, at a cheaper and faster pace around the world, in the next decade.

**Soley, L. (1998). Higher education or higher profit; For-profit universities sell free-enterprise. *In These Times*, 22(21), 14-17.**

Although critics of for-profit universities might refer to them and their products as “McEducation,” for-profit institutions are redefining the meaning of higher education and challenging the ideas of academic freedom. Many of these institutions continue to see their stock prices rise as their enrollments increase. Soley’s article provides a brief overview of the larger for-profit entities such as the Apollo Group (University of Phoenix), Strayer University, and DeVry Institutes (now DeVry University). The author points out that although community colleges as well as most state universities are less expensive alternatives, students continue to enroll at for-profit institutions. Soley asserts that students typically enroll at for-profits because they believe they are not admissible at other institutions. Students also choose to attend for-profit institutions for their convenience and flexible schedules. The author explains that for-profit educators should be taken seriously due to their growth potential and ability to acquire a larger share of the more than \$200 billion higher education market in the future. Currently more than 90% of this money goes to traditional non-profit institutions. Moreover, Soley explains that strategies used by for-profit educators, such as low overhead and labor costs, allowed companies such as the Apollo Group to increase its profits from \$1.1 million to \$33.3 million in four years, between 1993 and 1997. In response to such success, a number of traditional non-profit universities made classes more “business friendly” and have reduced the number of units required to obtain a graduate degree. The most dramatic response by the non-profits has been the creation of partnerships between non-profit universities and corporations. The author argues that such partnerships change the definition of traditional higher education, producing universities that belong to the world of commerce instead of the world of ideas.

**Sperling, J. (1998). The American for-profit university: A model for the information economy. *Economic Affairs*, 18(3), 11-16.**

The author opens by explaining that the proliferation of for-profit institutions is a response to changes in the U.S. economy due to globalization and the change from a manufacturing-based economy to a knowledge-based economy. He asserts that other

countries will see the emergence of for-profit educational institutions as they experience the same economic changes. Sperling, CEO of the University of Phoenix, explores the inefficiencies of traditional higher education institutions, which have been unable to respond to the globalization of education. Facilities are underutilized, he notes, with campuses generally empty in the evenings and weekends. The article also explains how the economics of for-profit institutions provide benefits to taxpayers. Sperling discusses a model of the per-student cost delineated by type of institution: public, private non-profit, and for-profit adult-centered. The author contends that, if managed well, for-profit institutions do not provide a cost to taxpayers and may return funds in the form of taxes paid on profits. The author points to ways that for-profit universities are able to overcome the problems faced by traditional institutions. For example, for-profit universities significantly increased enrollment rates by focusing their recruiting efforts on adult students. In the globalized market economy, today's workforce has little expectation for permanent employment with a single company. For-profit institutions can provide students with the education and training necessary to make career changes.

**Sperling, J., & Tucker, R.W. (1997). *For-profit higher education: Developing a world-class workforce*. New Brunswick, NJ: Transaction Publishers.**

Human capital constitutes a major factor in determining economic growth, and higher education is now an increasingly important commodity needed to secure employment in a competitive job market. Individuals require more knowledge and skills to perform effectively, and the authors believe that "the most efficient way to address the issue of increased need for higher education in the workforce is through the development of for-profit, adult-centered universities." Sperling and Tucker discuss the shift in support for higher education from the federal to the state level, and they illustrate the relative decline in state support for higher education over the past 20 years. Rising costs and reduced capacities made it difficult for thousands of qualified students to attend elite institutions during the late 1980s and early 1990s. The authors contend that the low rate of productivity increase at traditional institutions contributes to increased costs. Adult-centered universities are said to

enroll the largest proportion of students, defined as semi-traditional and non-traditional students ages 22 and up. Many of these are career-oriented professionals who work full-time and attend school on a part-time basis. Adult-centered universities are able to operate more cost efficiently and provide access to students who would otherwise be unable to attend a traditional college or university. The authors contend that adult-centered universities do not place a financial drain on federal, state, and local governments because taxpayers do not underwrite any of the costs to educate students that attend these institutions. These are a few of the economic and academic advantages that adult-centered universities provide. The regulatory constraints associated with attaining accreditation at the national and regional levels are discussed at length, along with a plea for Congress to create regulations that mandate uniform licensing standards and procedures in higher education to allow for continued improvement and innovation.

**Traub, J. (1997, October 20). Drive-thru u.: Higher education for people who mean business. *New Yorker*, 73(32), 117-123.**

For many, the word "university" evokes images of a sprawling campus with numerous buildings, residence halls, and co-eds gathered inside the student union speaking about politics, philosophy, and current events. The University of Phoenix changes our perceptions of the university and challenges the purpose and function of higher education. For Traub the University of Phoenix is a "para-university" that offers higher education programs similar to those at traditional universities, but without a campus or intellectual life. Traub provides the reader with an overview of the university before it became the largest private university in the United States. The author traces the history of the institution, which began as a program at the University of San Francisco and later moved to Phoenix, Arizona, due to problems with the regional accrediting agency. Interviews with John Sperling, founder of the University of Phoenix, and other high-ranking employees provide additional depth and detail about how the university views itself in relation to other traditional, non-profit, higher education institutions. For example, William Gibbs, then president of the university, explains that students attending the University of Phoenix do not want an education, they want what the education provides them, i.e., better jobs and

higher pay. Traditional non-profit universities view themselves as institutions that provide knowledge to their students, whereas the University of Phoenix bases its curriculum on the idea of providing students with real-world skills they can utilize immediately. Sperling believes traditional universities no longer can ignore the market forces driving today's higher education market. More than 80% of postsecondary students in the U.S. do not fit the traditional stereotype of a college student. Many of these part-time, adult learners are willing to pay the large price tag that accompanies a University of Phoenix education for the convenience and customer service the institution offers.

**Winston, G.C. (1999, January/February). For-profit higher education: Godzilla or chicken little? *Change*, 31(1), 12-19.**

The author examines economic factors that allow for-profit, degree-granting institutions to enter the higher-education market. Lower educational costs, price differentiation, new information technologies, and organizational efficiencies make it possible for for-profit universities to compete with their traditional non-profit counterparts. The article discusses the unconventional economic practices traditional higher education institutions employ. For example, educational costs per student exceeds the price students pay for their education, so institutions must make up the price difference through "donative resources" such as gifts and endowments. Winston utilizes data from the Integrated Postsecondary Education Data Statistics (IPEDS) to explain how for-profit universities lower their educational cost per student to eliminate the price difference traditional institutions encounter. The author asserts that universities with low student subsidies are highly vulnerable to for-profit institutions, with institutions in the private sector most susceptible. Very few public universities appear highly vulnerable to the for-profits because students at those universities receive subsidies from either the state and/or the institution they attend. High subsidy institutions also face curricular threats, especially on courses they consider profit-makers if for-profit institutions offer the same courses at a lower price. The article concludes with a discussion of whether or not for-profit universities serve society. Winston states that if traditional universities are unable to provide students with the type of education they seek, students will turn to for-profit institutions to satisfy their educational needs.

**Wolfe, A. (1998, December 4). How a for-profit university can be invaluable to the traditional liberal arts. *The Chronicle of Higher Education*, p. B4.**

Without competition from others outside traditional academe, higher education institutions maintained the liberal arts education curriculum throughout the 1960s and 1970s. The proliferation of for-profit institutions compelled traditional non-profit universities to provide an education that not only includes liberal arts components, but also equips students with the necessary skills to find employment after graduating from college. Critics of for-profit universities chastise these institutions for providing students with job training skills rather than an education. The author is quick to point out that many traditional universities abandoned the liberal arts curriculum years before the proliferation of for-profit institutions. Wolfe also contends that traditional non-profit universities pioneered the negative aspects that characterize for-profit institutions. Night classes, trimesters, reliance on adjuncts, and an emphasis on practical skills were well-established practices at traditional non-profit universities. Subjects such as English and history, now considered general education requirements, are only a handful of core liberal arts courses students are expected to take at traditional institutions. Only the most prestigious four-year liberal arts colleges have been able to maintain their curricular traditions and do not need to concern themselves with institutions such as the University of Phoenix. Each attracts different types of students looking for different educational experiences. The author explains that non-profit institutions such as branch campuses of state colleges, former normal schools transformed into four-year institutions, and universities that serve the working class, will likely be most affected by the proliferation of for-profit universities. As well, he asserts that for-profit universities offer traditional non-profit universities the opportunity to return to their core identities, as institutions that teach students to think and learn—in short, to provide students with an education.



## Dissertations

**Clehouse, R.E. (2000). Determining persistence indicators for students enrolled in for-profit postsecondary institutions (Doctoral dissertation, Northern Illinois University, 2000). *Dissertation Abstracts International*, 61, 295.**

The purpose of this study was to measure student persistence behavior in a for-profit, technical commuter college by creating and piloting a predictive instrument that measures persistence behavior. The study was guided by three main research questions: (1) To what extent are expectation-disconfirmation, locus of control, problem-solving ability, procrastination, academic motivation, and coping skills determinants for predicting persistence behavior with developmental, standard, and quality student groups? (2) Is persistence behavior of urban and suburban developmental, standard, and quality student groups influenced differently by expectation-disconfirmation, locus of control, problem-solving ability, procrastination, academic motivation, and coping skills? (3) Is persistence behavior of the day and evening student groups of developmental, standard, and quality student groups influenced differently by expectation-disconfirmation, locus of control, problem-solving ability, procrastination, academic motivation, and coping skills? Six predispositional survey instruments were identified from the literature and assembled into the DeVry Completion Inventory Survey (D-C-I). The survey was administered to 925 students at two DeVry locations. The results indicated that seven of the nine predisposition survey constructs were found to be significant. Locus of control was found to be the best predictor for quality students, and coping skills and expectation-disconfirmation quality were the best predictors for developmental students.

**Dever, K.A. (1999). A comparative analysis of leadership styles of executives in higher education and for-profit corporations: A study of context and gender (Doctoral dissertation, The Claremont Graduate University, 1999). *Dissertation Abstracts International*, 60, 234.**

This study examines upper-level administrative leaders in higher education, specifically those in administrative positions at the level directly below the president. Dever posits that since governance in higher education is seen by many as being more complex than the processes found in the corporate world, it is appropriate to assess leadership styles in both domains. The author focuses on administrators at the

University of California and their counterparts at large, for-profit corporations and examines their thought processes and leadership strategies. The use of a self report questionnaire containing 45 Likert-scale items called the Achieving Styles Inventory (ASI-13) is used to assess leadership strategies. Two questions are posed by the author: Given the complexities of the process and personal qualities of its leaders, how do these two groups of leaders get things done regardless of the specific nature of their goals? What implications does this have for leadership theory? Results show that educational leaders display an interdependent style that uses team-oriented strategies, while corporate executives demonstrate more independent, "take-charge" strategies. Theories suggesting gender differences were not supported by the study.

**Embree, C.M. (2001). The University of Phoenix: A case study of a for-profit university (Arizona) (Doctoral dissertation, Columbia University Teachers College, 2001). *Dissertation Abstracts International*, 62, 135.**

This qualitative study examines the University of Phoenix to assess how the institution has responded to what the author refers to as "three paramount tensions facing higher education." The first tension has to do with differences between non-profit and for-profit institutions. The second tension deals with higher education institutions as either wholesale or retail enterprises, and the third is the tension between tenure and non-tenure systems. Through the use of interviews, observations, and record data, Embree looks at the relationship between the University of Phoenix's stated philosophy and its actual application of that philosophy. Interview questions focused on the corporate structure and strategy, the production strategy, and the distribution strategy. The author formulates three implications: if traditional higher education institutions do not examine their missions and strategies for attracting students, some will fail and many more will find that their effectiveness is limited; non-profit institutions ought to examine the University of Phoenix and other for-profit universities to understand how they are gaining a competitive advantage; and faculty domains need to be redefined in this new era of global education and competition.

**Revelle, K.J. (1997). "Cause I been out of school for a while...": A qualitative study of the decision to enroll in proprietary school (Doctoral dissertation, State University of New York at Buffalo, 1997). *Dissertation Abstracts International*, 58, 280.**

This study considers why individuals decide to attend for-profit institutions and examines whether the decision-making process differs depending on a student's race/ethnicity, gender, age, or characteristics of the chosen school. Findings from the study suggest that participants reached a decision to enroll in a proprietary institution during periods of crisis as a means to remedy that crisis. The author discusses several categories of crises, as described by the study participants. A number of participants remarked that their decision to enroll was due in part to other persons who either suggested and/or supported their decision to enroll in a proprietary institution. In addition, many of the participants described their initial contacts with school personnel as positive. A number of participants had previous negative experience with traditional two- and four-year colleges that left many of them with negative feelings toward those institutions and influenced their decision to attend a for-profit institution. The study's findings suggest that there is little variation in the decision-making processes between various groups of students as defined by race/ethnicity and age. Differences are apparent when comparing school enrollment decisions between men and women.



## About CHEPA

The Center for Higher Education Policy Analysis is an interdisciplinary research center based at the University of Southern California. Our mission is to improve urban higher education, strengthen school-university relationships, and focus on international higher education, emphasizing Latin America and the Pacific Rim. Our projects focus exclusively on policy oriented studies pertaining to the improvement of postsecondary education. In addition to the work that has been outlined here, we are currently involved in studies pertaining to shared governance in higher education, increasing the diversity of the faculty, and a research-based project that will provide ways to improve the transfer rates of urban community college students to four-year universities. In June 2001, we signed a Memorandum of Understanding with the Center for the Study of Higher Education at the University of Melbourne to enhance our capability in conducting comparative higher education research. Over the past decade, we have received funding from, among others, the Ford Foundation, the Pew Charitable Trusts, Atlantic Philanthropies, the James Irvine Foundation, the U.S. Department of Education, the William and Flora Hewlett Foundation, the J. Paul Getty Trust, and the Haynes Foundation.

**William G. Tierney**  
Director & Wilbur-Kieffer Professor of Higher Education

**Linda Serra Hagedorn**  
Associate Director & Associate Professor  
Program Chair Community, College Leadership

|



**Director**

William G. Tierney, Ph.D.

**Associate Director**

Linda Serra Hagedorn, Ph.D.

**Faculty**

Estela M. Bensimon, Ed.D., *professor and director, Center for Urban Education*

Guilbert C. Hentschke, Ph.D., *professor*

Adrianna Kezar, Ph.D., *associate professor*

Michael L. Jackson, Ph.D., *vice president for student affairs*

William Maxwell, Ph.D., *associate professor*

Melora Sundt, Ph.D., *associate dean*

**Postdoctoral Researchers**

Julia E. Colyar, Ph.D.

James T. Minor, Ph.D.

Hye Sun Moon, Ph.D.

**Research Assistants**

Chiu-Jung Chen, Dean Campbell, Andrew Chlebek, Zoë Corwin, Scott Cypers, Paul

Gargantiel, Karri Holley, Vicente Lechuga, Jaime Lester, Gail Makukakane-Lundin,

Paz Oliverrez, Kristan Venegas

**Administrative Manager**

Gina Lincicum

**Administrative Assistant**

Diane Flores