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From an Insider, a Look at For-Profit Higher Education

By Michael Hillyard

With for-profit higher-education institutions coming under fire by dissatisfied students and government investigators, we have heard little from satisfied graduates of for-profits and the institutions from which they earned their valuable degrees. I know they are out there, because I am one.

When I was a Marine Corps officer, in the 1990s, my only opportunity to study military curricula at the graduate level at an affordable price and without interrupting deployments was through the American Military University, which, unbeknownst to me, was a corporation.

The university offered more than an accessible education; its faculty was a "who's who" of people with military knowledge. I eventually earned a master-of-arts degree in military studies there, earned a doctorate from the University of Southern California, and then joined a staff of 12 AMU employees who supported a cadre of adjunct faculty members who, in turn, taught 600 students. I helped expand the number of programs from the original degree in military studies to more than 60 graduate and undergraduate programs. The market responded favorably, with the student body expanding to 15,000 by the time I left, in 2006, and to 80,000 today. Growth was not a product of aggressive recruiters, call centers, or Internet lead generators. What is now called the American Public University System expanded through referrals from students and alumni, advertising, and field representatives.

As we expanded, so did an insistence that our outcomes compare favorably with those of other universities. In addition to doing internal quality-assurance and external accreditation reviews, we measured outcomes using third parties, such as the Educational Testing Service, through which our graduates' abilities were analyzed in comparison with those of students from 600 other institutions.

I am now a higher-education consultant and accreditation evaluator, and I believe my experience has allowed me to observe

many for-profits that meet the demands of students, grow new markets, and create unique, quality, affordable products. I have also witnessed a few examples of shoddy service and poor products, which are inherent in many new industries as they mature. Lacking oversight, someone inevitably does the wrong thing in a for-profit industry. However, if regulation and accreditation standards are enforced, the result should be that good companies will survive, with the few bad actors cleaning up their acts or shutting down. Here are five important indicators of quality, or the lack thereof:

Retention. Each publicly traded company's retention rate can be determined through SEC filings for new, current, and graduated students. If an institution has a large number of students but low annual retention, it is a marketing churn machine and should be called out as such. An acceptable retention rate should take into consideration the type and level of programs and students.

External validation. Each of the major for-profit institutions is accredited, which should ensure a minimum level of quality. Going a step further would be the use of external, quantitative measurements, such as how graduates compare with peers on third-party, post-program assessments. Programs that are associated with national, state, or professional licensing examinations are excellent external validations.

Exponential growth. Growth should not be viewed negatively in distance education, which is becoming more popular with students every year. It has been my experience, however, that rapid growth is problematic if it is not carefully managed. Repurposing or building an institutional culture on the fly is also a concern. Aggressive recruitment practices must be stopped. Rapid growth, substantial institutional change, and aggressive marketing demand both scrutiny and rigorous accountability.

Loan-repayment rates. The recent release of data from the Department of Education that report loan-repayment rates by institution is a step in the right direction, but newer programs that have recently begun accessing Title IV funds will be deceptively strong in their loan-repayment rates because graduates have just begun debt management. Quantitative data should also be supplemented by common sense. Institutions should be allowed to review and deny requests for loans in excess of the institution's stated cost of attendance. Consolidated loans, degrees aligned with professions that have shrunk as a result of the recession, and liberal-arts degrees with no specific postgraduation professions should be factored into any analysis of repayment rates.

Process validation. While quantifiable outcomes are desirable, the aim of an education is to produce a transformed person, a goal that is virtually impossible to quantify. In addition to outcomes, administrative processes and systems can be assessed, and external validation of processes and systems is an excellent indirect indicator of quality.

The for-profit higher-education industry has risen in response to market demand that has not been met by nonprofit institutions. Clearly, nonprofit institutions have different incentives, but I do not believe that those incentives are completely in line with students' needs. A different evaluation process for nonprofit institutions should include measures such as their ability to graduate full-time students on time; the percentage of faculty salaries tied to classroom teaching versus nonteaching activities; the percentage of budgets allocated to nonacademic functions; and hidden inconveniences for students, such as an inability to get the courses they want at the best times for them.

Politicians, regulators, accreditors, investors, trustees, administrators, and faculty all share some responsibility for higher education's problems. Here are several things they can do right now to improve higher education:

Identify what is already changing. Over the past year, for-profit educational institutions have been the focus of Senate HELP Committee hearings, Government Accountability Office secret shoppers, increased Department of Education enforcement, and various pressures applied to accreditors and state regulators. Out of this intensity, positive changes are occurring—many of them undertaken by for-profits themselves. Let's see if these changes make a difference before we swing too far, overregulate, hurt sound programs, and inadvertently limit student opportunities.

Identify problems that are not being solved. In the face of one of the nation's most severe economic downturns, not much is changing at nonprofit and public institutions. It is hard to envision a bright future for an educational model whose total societal costs (especially when considering the value of government support and tax-free endowment subsidies) continue to outpace the rate of inflation year after year while so many other goods and services become more efficient and drop in relative price. Something is going to give as loans taken on by traditional students (or their parents) exceed mortgages in family budgets, states continue to slash higher-education budgets, and more students seek a nontraditional route to education.

Recognize the value of different institutional forms.

Research, service, residential teaching, distance education, traditional students, nontraditional students, degree programs, certificate programs, training, and continuing education all need to be considered in higher education. No one institutional form is well structured to handle them all. Let's recognize that each form has strengths and weaknesses, then build on the strengths, limit the weaknesses, and recognize each form for its unique contribution.

Punish the wrongdoers, force them to change, or close their doors.

Finally, we need to be open to change. While distance and for-profit education have existed for a century, neither approach has gained critical mass until now. With new ways of educating and organizing come unanticipated problems with the new methods and institutions, as well as cultural and financial shocks to the old ways of doing business. But we can do a better job of adjusting than we have. Some new institutions have very likely heeded a recent wake-up call to focus on quality and cost. Many struggling traditional institutions will need to explore creative ways to solve historical problems and reinvent themselves. One thing is certain: Higher education will never be the same again.

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iris411 1 hour ago

I know one thing works: it fits the student's schedule. Most of us work and have family and want an education. we don't have time 8-5 daily. I know some school offer 10hr classes on 1-day per week and put everything else on-line. This is amazingly accessible for those who have to work 5days a week. Night schools are also friendly for working people.