From Mandarin Class to Market Player: Four Factors Redefining Quality in Higher Education

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Quality? As invoked in academic circles, one experiences the ubiquitous question-begging, mind-numbing, now you see them — now you don’t, ineffable, unassailable circumlocutions that would make Hegel beg for clarity. For the rest of the world there is a suitable definition based on defining attributes of value. The public’s interests in higher education are well served whenever the notion of academic quality is demystified, turning, as it were, this academic shield back into a useful plowshare. Today, it is the public sector, not the academics who are leading the way to re-define educational quality in a broadly useful way. The following editorial is adapted from a series on new players and new definitions of quality recently developed for the financial community. For a more detailed look at what there is to mean by ‘quality’ in higher education, see: The Rhetoric of Quality (www.InterEd.com/public/rhetoric.pdf).

The thesis here is simple. Several primary factors are forcing change on the way quality in higher education is defined. Ultimately, these redefinitions will lead to changes in the way quality is measured and managed.

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Factor One: Unprecedented Growth in Demand and Diversification

Higher education markets are growing so rapidly that the nature and magnitude of the growth are difficult to track, much less fully comprehend. This growth is attributable to a constellation of factors which can be summarized by the nation’s transformation to a knowledge economy combined with the already short and declining half-life of the knowledge that drives the new economy and the science and technology behind it. Ninety percent of the course offerings at the average university didn’t exist fifty years ago and the catalogs of some private education/training companies contain more than 3,000 courses. Much of our prosperity is now determined by the performance of learner/workers who must participate in an economy dominated by a complex, technologically driven knowledge-base the half-life of which is now measured in quarters-of-years rather than decades as in the recent past. For this growing group of learner/workers, just-in-time and on demand education are a part of life, and their education consumption habits have created demands that exceed the material, technical and, especially, the dispositional capabilities of the traditional brick and mortar system of higher education.

Factor Two: Inadequate Supply Chain

Few of us would seek medical counsel from a group of physicians who proudly resisted scientific progress for their entire career. Yet, there remains support for an institution that is dead last in the rate at which it diffuses innovation, and is known to be harsh on those who break ranks with its century-old traditions. Higher education has enjoyed more-or-less unrestricted reign over its own command economy. It has served largely the wishes of the professorate — a mandarin class by most standards — often to the disservice of the needs of students and society at large. It is no exaggeration to observe that
the customer service practices of many universities ranges from inferior to undetectable. And, as no less an observer than Michael Scriven has pointed out (AAF, Vol VI, N. 2), very few scholars or their institutions have made any scientifically verifiable efforts to manage the quality of their processes, outcomes or impact.

Against this backdrop are the new suppliers, some of whom are recent tergiversants from the old guard.

Factor Three: New Suppliers

The appearance of a healthy market in higher education, against considerable odds, is a wonderfully exciting development, full of leverage for better ways to deliver and manage quality in higher education. In 1995 we observed that half of higher education would soon be delivered outside the walls of the nation’s traditional colleges and universities. That day is here. The new half of higher education is now delivered by regionally accredited for-profit colleges, nationally accredited career education schools, corporate universities and training departments, independent education companies, content aggregators and brokers, and a variety of options for self-directed learning. One can deny this claim by restricting the definition of higher education to that delivered by regionally accredited institutions. Examined through this prism, there is only the rapidly growing share of the regionally accredited for-profits to deal with. While comforting, this restriction does nothing to recover the cash flow lost to the old institutions. Two points seem obvious when a prospective student chooses to improve her management skills by attending a top rated private management training program when her practical alternative was taking classes in management at BigStateU. First, BigStateU lost market share. Second, BigStateU’s regional accreditation does not vitiate the first point. There is no escaping the fact that the new half of higher education is growing more rapidly than the aggregate of the old half (whose growth is flat after adjusting for the baby-boom echo).

Factor Four: Under Representation in the Market

As rapidly as higher education is moving into the market, the transformation is in its infancy. There is still a large disparity between the proportion of the GDP represented by higher education and the representation of higher education in the public market, as represented by the total market capitalization of the industry. Health care represents roughly 15% of the domestic GDP and its market capitalization is also roughly 15% of the markets’ total. Education (all formalized, accountable education services) represents perhaps 10% of the domestic GDP but its market capitalization is less than one-half of one percent. This fractional percent would be higher if the education expenditures of publicly traded companies were represented in the figures. Publicly traded companies typically spend from 1% to 4% of their revenue on education. Nonetheless, the disparity represents a very large potential to be absorbed by entrepreneurs, the investment commu-
nity, and the public through its support of innovation at traditional colleges and universities. Traditional state institutions and independents are not being left out of this transformation. Several state universities have created for-profit education companies to contain and drive their innovations toward success in the market. Many more are in the works.

Effects On Conceptions of Quality

What are the unique, industry-specific issues that will distinguish winners from losers as this massive national industry — second only to health care — migrates to the marketplace? As we see it, there will be only two such issues — only one, if you permit us to redefine one of the issues to incorporate the other. These issues will be convenience (how the education production is packaged and delivered) and quality (how education product quality is defined, assessed, managed and marketed). Ultimately, we think that the “convenience” issue can be subsumed by the single issue, “quality” if one includes “suitability to purpose” as an important element in the quality management model. If we are correct, the new higher education market battleground will take place on a two-dimensional Price/Quality Grid where competitors vie to exteriorize their process and outcomes features in the context of a better pricing model.

Consider the perspective of the investor in higher education. Many investors seek to understand the historical and current context of the industry in which they are investing. They do this because they believe it will help them reduce variation in their estimates of the future of the industry and will improve their investment choices among companies operating in that industry. Following this approach, a “good” investment is characterized by two forms of evidence. There must be evidence of a scrutable market and evidence that a company whose processes are accountable is engaged in responding to that market. Market scrutability is essential to this approach because one must understand the demand features of the market. (Hula-hoops represented a random, largely ex post facto, investment opportunity but it was not scrutable and therefore could not be anticipated or its course charted.) Corporate accountability is equally important because one must be able to assess the goodness of fit between the market and each company’s response to it. While the terms are not commonly used in the investment community, this approach to investing embodies modern definitions of quality, including suitability to purpose and continuous quality improvement.

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Now, apply these concepts to higher education — traditional and innovative. Traditional higher education largely ignores the ideas of scrutability and accountability. In contrast, innovative start-ups and those reinventing themselves see a golden opportunity to create a competitive advantage by making their education processes and outcomes more scrutable and accountable than the old systems they are replacing. These schools can advertise that they know their processes and outcomes and can assure the consumer of the value they seek. To succeed in tomorrow’s market, the leaders of these new companies will develop and employ quality management practices that are consistent with those of other modern industries. They will employ models and systems to assess learners’ goals, educational and environmental processes (the “delivery” of education), learning outcomes in relation to learners’ goals, and functional impact on learners in terms of acquired skills and competencies. All of this information will be used to adjust and adapt the educational processes to meet learners’ goals as efficiently as practicable.

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How far have we come in meeting the goal of scrutable and accountable higher education? By some measures, a long way. One regional accrediting body — the same one whose written and oral history is strongly critical of my emphasis on academic process management and continuous quality improvement (for the past fifteen years they wanted little more than the measurement of learning outcomes) — has developed an alternative accreditation track that embodies exactly the models and methods we put into practice in 1986. Edu-
Educational institutions are making progress too. Some programs measure processes; many measure learning outcomes, although few by scientifically scrutable means; some even look at workplace impact; a few require that the information be used to improve processes and outcomes. Of course, it is this latter activity that is most important and it is most often practiced in the new start-ups because they are looking for an efficient way to manage their business. On balance, much more could be done in the measurement and management of quality in the online environment. This is especially unfortunate. In online programs all or most educational processes are permanently recorded on the Web servers where they can easily be accessed for a full range of quality management and assessment processes. Moreover, quality management in the online learning environment can be carried out for pennies on the dollar as contrasted with the traditional, face-to-face learning environment.

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