

**The University of Phoenix: Poster Child of For-Profit
Higher Education**

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By virtually any measure, the University of Phoenix stands out as the leader in the for-profit, degree-granting, sector of American higher education.¹ Billing itself as the largest private university in the world, with total enrollments across all campuses in 2002 of 133,000 students, UOP has been a clear financial and educational success. Among the leading for-profit providers, no single business or educational model predominates, so a detailed description of one organization cannot capture all the variation to be found; nonetheless, as the most visible and best-known member of this group, a close look at UOP provides insight into how this sector operates. A case study of UOP may also suggest implications for traditional, non-profit colleges and universities.

Educational Data

As already noted, in 2002 UOP enrolled over 133,000 students in a variety of Bachelor's, Master's and Doctoral degree programs, a five-fold increase in enrollments since 1995. From its beginnings in 1976 through August 2002, the

¹ The University of Phoenix is part of the Apollo Group, Inc., which also includes the Institute for Professional Development, Western International University, and Apollo Learning Group.

University has awarded 171,600 degrees to graduates. A profile of UOP students reveals that the average age is in the mid-thirties, with an average household income of \$50,000 and \$60,000.² Thus, the first and most important point about UOP is that the focus is on working adults, not the traditional 18-22 year old full-time student. The UOP mission statement expresses this focus clearly:

The mission of the University of Phoenix is to educate working adults to develop the knowledge and skills that will enable them to achieve their professional goals, improve the productivity of their organizations, and provide leadership and service to their communities.

Indeed, UOP requires applicants to be at least 23 years of age, and, while not required for admission, the emphasis is clearly on those who have full-time jobs. In 2001, 69 percent of UOP students had been employed on a full-time basis for nine years or more. This fact leads to a key financing feature for UOP students in that 59 percent receive some amount of tuition reimbursement from their employers. With regard to diversity, 40 percent of the student population are racial and ethnic minorities, while 54 percent are female.

The UOP curricular offerings are concentrated in business administration and information systems and

technology. Undergraduate business administration accounts for 43 percent of total enrollments, graduate business for 20 percent, and information systems and technology for 14 percent. Other programs offered include general and professional studies (7 percent), education (4 percent), health sciences and nursing (4 percent), and counseling and human services (3 percent). Thus, vast segments of the traditional university curriculum are not offered at UOP as degree-granting programs, including essentially the whole of the Arts & Science curriculum.³ (A limited number of lower division humanities and social science courses are offered as part of the general studies area for students who enter with fewer than 60 transfer credits, but beyond those courses, the UOP curriculum is centered on professional education.) Student motivation is largely professional and career advancement.

It should also be noted that UOP is accredited by the Higher Learning Commission of the North Central Association,

² Data in this section, unless otherwise noted, provided by the University of Phoenix in 2002.

³ Leaders of the University of Phoenix commented on this paper, and their remarks are included in footnotes to provide the reader with differing perspectives on matters of judgment. The first such UOP comment follows: "We would merely respond that this is appropriate to an institution that serves the working adult population—especially so based on recent research by Carol Aslanian describing the educational needs and desires of this population. Between 40 and 45% of college and university students are now 25 and older; of those, 80% work full-time

one of several regional accrediting bodies in the United States. It also has specialized accreditation from the National League for Nursing (NLNAC) and the American Counseling Association (CACREP), is licensed (as of 2002) in 26 states, and, because its parent company, Apollo Group Inc., is publicly traded, it is also regulated by the Securities and Exchange Commission. As the first for-profit, degree-granting institution to be regionally accredited (1978), UOP faced a hostile educational community in its early years, as representatives from traditional colleges and universities sought to prevent their accreditation. That story, with all its passion and intensity, has been told by the founder, John G. Sperling, in several publications.⁴

A distinctive feature of the UOP educational model is heavy reliance on part-time, practitioner faculty, as opposed to full-time academic faculty. In 2002, UOP employed roughly 11,000 practitioner faculty for teaching, and approximately 250 full-time faculty, who have both teaching and administrative duties. The basic explanation for UOP's profitability is to be found in these figures.

and 80%, presumably the same group, indicate that their primary reasons for returning for advanced education relates to career development."

⁴ See, for example, John G. Sperling, Against All Odds (Phoenix, AZ: Apollo Press, 1989), pp. 50-56.

Most courses at UOP are taught in the evening and on an accelerated schedule, in that undergraduate courses last only five weeks, graduate courses six weeks (the educational model will be discussed more fully later). Each practitioner faculty member meets a class one night per week, for either five or six weeks, a time demand that is manageable for many professionals who have full-time jobs during the day. Practitioner faculty have Master's or Doctoral degrees and a minimum of five years professional experience in the field that they teach (the average is 16 years of experience). They also must be professionally employed in their field of instruction. Within this labor force of 11,000 faculty, 39 percent are female, and 21 percent are racial and ethnic minorities.

A common misperception of those who have only vaguely heard of UOP is the belief that it is a virtual university, with all instruction via online distance education. While UOP developed an online capacity beginning in 1989, the majority of students and courses are taught in the traditional, face to face manner, at night in leased facilities dedicated as UOP classrooms. Classes are typically small (15 to 20 enrolled), and are managed as discussion seminars rather than as lectures. The online

courses are low-tech, in that they are conducted via web and email, without expensive production costs. Faculty members typically handle fewer students in this format, often limited to no more than 12, though the average online cohort is nine students. The online component of UOP enrolled roughly 45,000 students in 2002, however, and is the fastest growing part of the system.

At this writing, UOP has a physical campus presence in 25 states and at over 116 locations. Campuses are concentrated in California, Arizona, New Mexico, Colorado, Utah, Nevada, and Florida. (Online courses are available in all 50 states and in 45 countries.) UOP has been adding about two new states per year, and will continue at that pace until the major markets are exhausted. Although they are regionally accredited, they often face stiff state requirements for licensure, which can delay their entry into specific markets. Although UOP, and its parent Apollo Group, will continue to develop new campuses in the U.S., much of their future growth appears likely to be abroad.

Financial Data

As an index of profitability, if one had purchased \$10,000 worth of Apollo stock when first issued in 1994, by December 2002 it would have been worth roughly \$564,103. In

fiscal 2002, UOP had revenues of \$951.9 million and net income of \$161.2 million; the online portion had revenues of \$327.5 million, and net income of \$64.4 million. UOP clearly has developed a business model that generates excellent cash flow and substantial profits, as well as a high rate of return on invested capital. Further discussion of the educational and business model will help to explain their ability to generate such impressive financial numbers.

For a variety of reasons, analysts continue to be bullish in their predictions about the value of Apollo Group (APOL) stock. Block and Johnston (2003) point to the strong recent performance of the company: "Apollo Group offered investors the appealing combination of high earnings visibility, high earnings growth, and high earnings quality, as qualified by cash flow growth that exceeded earnings growth during CY02 (56% versus 45%)" (p.6, 2003). The rapid growth rate of for-profit institutions is another key driver of analyst optimism: "Since 1995, US enrollment in Title IV eligible institutions (95% of total enrollment) has languished at a meager Compound Annual Growth Rate (CAGR) of 1.67%. NCES estimates that enrollment will grow to 17.7 million by 2011, representing a decline in the meager CAGR to 1.16%" (Block, 2002). For-profit enrollment, on the other hand, has enjoyed CAGR of 7.6%, while increasing

market share from 3.5% to 4.4%. According to Block (2002) one factor responsible for this growth has been the lack of consonance between the input needs of the economy and the outputs generated by traditional schools. For-profits have recognized this incongruence and succeeded in the market by providing more skills and credentials that are in demand.

Brief History of UOP

Before turning to discussion of the educational model of UOP, a few supplementary comments on the history of the university will be helpful. The founder, economist/historian John G. Sperling, has written several books in which he discusses the ideas and motivation that prompted him to create UOP, and only the relevant highlights need be mentioned here.⁵

Sperling was a faculty member at San Jose State University in California in the mid-1960s, and undertook a federally funded project to develop a 12th grade economics curriculum. This effort caused him to explore the field of pedagogy, and he subsequently moved on to projects involving the education of adults. Encountering frustration in his efforts to develop programs for working adults at San Jose

State, he sought out a struggling private university, the University of San Francisco (USF), where his newly formed Institute for Professional Development could function and return a financial surplus to the University. All went well until the existence of his program and its budgetary surpluses attracted the attention of the Western Association of Schools and Colleges, the regional accrediting agency for USF. The leadership of WASC declared war on Sperling's Institute, and threatened to withdraw accreditation from USF unless the Institute was shut down. No college or university can survive for long without regional accreditation (essential, among other things, for eligibility to receive federal student aid), so USF had no recourse but to sever the relationship.

Incensed with the attitudes of WASC, Sperling and his associates moved to Phoenix, where a different regional accrediting agency operates. Rather than connect with an existing non-profit university, the decision was made to found a free-standing, for-profit university. Established in 1976, UOP received North Central accreditation in 1978, and the rest is history; accreditation by one agency carries over into states governed by another accrediting body. With that hurdle met, securing state licensure is the principal

⁵ See Sperling, op. cit., and his autobiography [ref.]

regulatory barrier to entry, with requirements varying by state. As noted earlier, as of 2002, UOP had been licensed to operate in 25 states.

UOP Educational Model⁶

At the undergraduate level, a high school diploma or GED certificate is required for admission to UOP. Neither the high school GPA nor GPA at previously attended universities is considered, nor are SAT or ACT scores required for the primary reason that for adult students, these kinds of normed assessments have very little predictive validity. The original emphasis at UOP was to enroll undergraduate students who had 60 or more transfer credits, so that the programs could concentrate on upper division courses in the professional field of study. To that end, UOP has extremely liberal policies governing transfer credits, accepting all courses from accredited institutions, as well as opportunities to earn credit through its Prior Learning Assessment Program. Under the latter program, students can present a portfolio of experiences that can earn college level credit, including

⁶ Information in this and subsequent sections provided by UOP, including the author's participation in a site visit in August 2000 conducted by the Regents of the University of the State of New York, in connection with UOP's application to offer courses in that state.

such standardized testing found in CLEP. Up to 60 credits can be awarded through the Prior Learning Assessments, with a maximum of 30 credits each for professional training, experiential learning, or standardized testing. In short, every effort is made to accelerate the student toward the degree by awarding credit to virtually any form of prior educational experience.⁷ It is safe to say that UOP places little emphasis on the general education portion of an undergraduate program, as general education is simply not the focus of the educational program.⁸ Indeed, creation of a College of General Studies, complete with its own Dean, was finally required as more and more students entered with fewer than 60 transfer credits. This is not an area in which one would expect significant educational investment to occur beyond the minimum required to qualify students for degrees.

⁷ University of Phoenix comment: "In doing so, the University adheres strictly to recommendations of ACE and CAEL (the Council for Adult and Experiential Learning) in awarding academic credit for prior experience."

⁸ University of Phoenix Comment: "While you don't disagree with this statement, we don't think you place it in a proper context. We believe that we have created a general education program appropriate to an institution whose mission is to serve working adults who are enrolled in professional/managerial programs. These are not the 18-22 year-olds for whom most liberal education programs were designed. College is not a rite-of-passage. That doesn't mean that general education isn't important to us or our students but it clearly is an instrumental goal and, arguably, must be conceived of differently for a different kind of student."

Although admission is not selective at the undergraduate level, students must undergo a variety of assessments once enrolled. These provide adult students with useful information about their educational skills at entry and UOP with information about the efficacy of its programs and changes that might be necessary at exit. Students participate in an Adult Learning Outcomes Assessment which involves pre- and post-tests in four areas: Cognitive Assessment, Professional and Educational Values Assessment, Critical Thinking, and Communication Skills. This process not only allows UOP to carry out extensive outcomes assessment but also helps students identify areas needing improvement. In addition, all incoming undergraduate students demonstrate proficiency in writing, math, and critical thinking through a UPO-developed, web-based Proficiency Assessment System. Extensive support services exist to help students improve these skills, including an Online Writing Center and Saturday Math/Statistics labs at some of the campuses. A clear strength of the UOP educational model is this heavy emphasis on assessment, often not found in traditional colleges and universities.

UOP also uses the ETS major field exams, e.g., the Major Field Test in Business, to compare their graduates'

performance with those of a national comparison group. Data for a group of 205 undergraduate business majors at UOP compared favorably on this ETS test with a national comparison sample of more than 41,000 students. Sperling's motto of "measure everything" is clearly evident in the UOP educational model.

As noted earlier, over 11,000 part-time practitioner faculty make up the teaching corps, supplemented by about 250 full-time faculty, who have more complex assignments. The selection of practitioner faculty is carefully done, with review of credentials (Master's or Doctoral degree, minimum five years experience in the profession, and current employment in the field being taught) and an extensive orientation and training program. Pre-service faculty are assigned an experienced faculty mentor and must take 10 workshops covering the following topics: Adult Learning Theory; Facilitation Techniques; Learning Team Management; Grading, Evaluation and Feedback; Classroom Assessment; Human Equity; Copyrights and Copy "wrongs;" Administration, Organization and Orientation; Internet Training; and Electronic Library. Only about 30 to 40 percent of all eligible applicants are approved to teach at UOP.

While no fixed faculty load is required, the typical part-time faculty member teaches six courses per year, while

the full-time faculty average nine courses per year. Remember that an undergraduate course lasts only five weeks and requires only five nights per faculty member per course, for a total of 20 classroom hours. For this effort, the pay is in the range of \$1,000 to \$1,600 per course. Graduate courses meet for six weeks, or 24 faculty contact hours, and have proportionately larger salaries. Interviews with over 20 long-time UOP practitioner faculty confirmed that few "do it for the money," but rather for the professional contact, the stimulation of teaching adults students in the faculty member's professional field, and for the prestige of being a faculty member. Whereas adjunct faculty in traditional universities are often made to feel second-class citizens relative to the tenured faculty, UOP has no tenured faculty, and very few full-time faculty, so the practitioners are the faculty, and they reflect that pride.

The full-time faculty teach an average of nine courses per year, which is viewed as a half-time load, and spend the other 50 percent of their time serving as Campus College Chairs (CCC). Essentially, each academic program at each major campus has a CCC, who helps to recruit part-time faculty, to guide curricular reviews, and to generally administer the department, much as a department chair does

in a traditional university (the full governance structure is discussed later).

The academic calendar is a significant departure from that followed in traditional institutions, in that courses begin virtually every week of the year, and run for only five or six weeks, depending on degree level. Thus, a student can enter UOP in November, for example, and find courses to take at that time, rather than being forced to wait until January or September, as would be common in the non-profit sector. Students are advised not to take more than eight courses per year, but many are able to do that. Furthermore, when a student begins at UOP, he or she will meet with an adviser and plan the entire sequence of courses from beginning to end so that the student can plan well in advance to move through the program quickly and efficiently. These features are all part of the UOP philosophy of customer-centered convenience, with education provided to meet the student's needs and schedule, not that of the faculty.

One of the more controversial aspects of the educational model among traditional academics is the central production of common course syllabi, rather than the distinct creation of each course by each faculty member, as

is common in the traditional sector.⁹ Designing one's own course and syllabus is a central feature of faculty autonomy in the traditional college or university, and to have the course handed to one already designed and developed is simply contrary to traditional faculty culture. Derisive references to "McEducation" are often heard from faculty who learn about this feature of the UOP model. What it means for UOP is that the general outline and objectives of each course offered on one campus is roughly identical to the same course offered on any other campus, and various scale economies can be derived from this standardization. For example, publishers are more than willing to produce printed texts for a UOP course, for they know that demand for the text will be substantial throughout the UOP network. Furthermore, practitioner faculty are not required to spend the time designing their own courses; in essence, they serve as facilitators of the common syllabi, and can thus enter the system without having to undertake the time-consuming

⁹ University of Phoenix Comment: "John Sperling makes an interesting point on this subject. At a recent conference of university presidents he asked how many had taken an economics course as an undergraduate in which the text was written by Paul Samuelson. Most raised their hands. He asked what was the difference between a common content outline for UOP courses and the obviously common content outline across these the many institutions. His point is that it is the individual instructor who brings variety and richness to the course and argued that the varied professional experiences of our practitioner faculty would actually produce more richness."

task of course design.¹⁰ Over time, the more experienced faculty at UOP have an opportunity to customize the courses they teach to some degree, provided the educational objectives are all met. Indeed, one instructor's proposed changes may be considered for adoption into the common syllabus, thus becoming part of each instructor's program. Part of the reason UOP can pay relatively low salaries to practitioner faculty is that the task of course design is not part of each professor's burden. The common course design also means that a student who moves during the program to another state, can continue the program with minimal disruption, as the courses are essentially identical in each location.

Mention was made earlier about Learning Teams, an essential feature of the UOP model. In every course, students are broken down into group of three to five students who meet together without a faculty member for four hours each week during the course. In that setting, they work on projects or topics that are assigned as part of the syllabus, and often report on their team work in the next full class session. In a five week course, therefore, there

¹⁰ University of Phoenix Comment: "You would have to ask our faculty about this. Most put many hours into preparation for a course—especially the first time they teach it—and treat the outline as a beginning, not as the end."

are 20 faculty contact hours, but 40 hours in which students are engaged in an organized learning activity. This feature of the UOP program is key to understanding the economics of the UOP model, and is discussed more fully subsequently.

Another key feature of the UOP model is the absence of bricks and mortar libraries, replaced with a totally online system. Each of its instructional sites has a Learning Resource Center with workstations and work areas that support use of the Digital Library. The digital collections are designed to support the curriculum, with access to multiple data bases, including newspaper and journal collections. Reference librarians are available in person and online, and help the students locate needed materials. In several locations, UOP has negotiated agreements with full-service libraries, often in traditional universities, for UOP student use, supplementing the materials available online. The Digital Library is clearly designed for instructional support rather than research support, and can thus be limited to those items needed for the standardized courses. Economies of scale clearly generate efficiencies in this expensive area of educational support and service.¹¹

¹¹ The absence of a traditional library has been an issue in several states as UOP seeks licensure, but negotiated agreements with existing libraries have generally been accepted as meeting that requirement.

A note on educational facilities. UOP normally leases their space, which is often designed and built to their specifications. The buildings appear to be traditional office buildings on the outside, and are usually located just off major freeways, with plenty of parking. Classrooms are traditional, and most facilities have computer labs, where various forms of instruction take place. Administrative and admissions offices are on site, as is a limited bookstore, but the broad array of student services found on a typical campus (dining halls, large book stores, gyms and other recreational venues, athletic fields, dormitories) are not present, nor needed. Furthermore, with classes at night, the classrooms are generally empty during the day, with only administrative functions in operation. In short, the physical plant is designed to service the limited needs of part-time, adult students, comfortably but with no frills.

UOP Economic/Business Model

How is the University of Phoenix able to generate such large profits from an activity that in the non-profit sectors of public and private higher education requires substantial subsidy? Tuition differences are not the answer, as tuition charges in most private, non-profit

institutions are as high or higher than they are at UOP. Indeed, an undergraduate student at UOP would expect to pay about \$8,000 for one year's course of study, a figure well below the tuition of many private colleges. As UOP is not eligible for charitable gifts, it does not have that revenue source, nor does it have an endowment or receive research grants. In short, it survives on tuition alone, and as its charges do not exceed those of many non-profit institutions that require additional subsidies, the answer must be found on the cost side.

Before looking at specific issues, the overarching point is that a comparison of UOP and traditional institutions is really a case of apples and oranges. Traditional four-year colleges and universities cater to full-time residential students, in single physical sites, and with a vast array of related activities that UOP does not undertake. Universities are multi-product firms that conduct research, graduate and professional education, undergraduate education, and public service. Their multi-purpose nature entails extensive physical plant investments in dormitories, student unions, libraries, laboratories, and athletic facilities. Universities are not unlike small cities, and carry the cost consequences of that form of activity and organization. UOP is singularly focused on

part-time adult students, and thus does not have to invest in most of this high-cost infrastructure. UOP also benefits from economies of scope and scale, as it spreads the cost of curriculum development and organization over hundreds of sites. Founder John Sperling and Robert Tucker make these observations in their 1997 book, where they elucidate their model of an adult-centered professional university.¹²

In the remainder of this section, we will look briefly at the components of their business model, highlighting the factors that appear to be key to their success.¹³

Faculty Labor Supply: As noted earlier, the vast majority of the faculty are practitioners who are fully employed elsewhere than at UOP. They teach part-time in the evenings for UOP for a variety of reasons, many of them non-monetary. The pay for a five or six week course is in the range of \$1,000 to \$1,600, not a bad hourly rate but hardly enough to motivate many of those involved purely for the pay. The non-monetary benefits include faculty status linked to the professional field in which the practitioner

¹² John Sperling and Robert W. Tucker, For-Profit Higher Education: Developing a World-Class Workforce (New Brunswick, NJ: Transaction Publishers, 1997), pp. 35-50.

¹³ In this section, the author draws in part on information gained while serving as a member of a New York Regents review team considering the application of UOP to begin offering courses in New York. The team spent three days in Phoenix and Tucson reviewing all aspects of the UOP operation, August 6-9, 2000.

works, contact with mid-career adults eager to learn more about the profession being studied, and an ability to keep abreast of developments in the professional field of study. As noted earlier, unlike adjunct faculty at traditional campuses, UOP faculty do not feel like second-class citizens--they essentially are the faculty of the University. In interviews, what came through was the sense of pride and ownership expressed by many faculty, coupled with numerous comments that, "We don't do this for the money." The upshot is that UOP employs a faculty for a fraction of the cost borne by colleges and universities who hire mostly full-time personnel.¹⁴

A key factor often overlooked is the short time commitment required for each course taught. Essentially, a faculty member gives up five or six evenings per course, or between 20 and 24 hours of classroom contact. While there are some additional time requirements, the syllabi supplied by the University cuts down on one of the major activities that traditional faculty must undertake. It should also be

¹⁴ University of Phoenix Comment: "We know based on our earlier discussions that you believe this last sentence relating to the economics is the primary and overarching reason for the faculty model. While it certainly is one of the enabling "benefits" of the model-- the truth is that the academic reason is, to us, the primary reason. We believe that the population we serve is better served by a practitioner faculty. It may be difficult for someone whose frame of reference is traditional higher ed to imagine that, given a choice, an institution

noted that, unlike traditional institutions, faculty at UOP generate 3 or 4 credit hours per course with half the contact-hour input, i.e., 20 to 24 hours rather than the 40 to 42 that is the normal requirement widely followed in higher education. To generate the conventional number of contact hours, UOP faculty would either have to meet two evenings per week, or the classes would have to expand to 10 to 12 weeks. Given the type of faculty who work for UOP, it seems likely that many fewer would be interested in teaching if it meant twice the hours of work, even though pay would presumably have to double as well.

The students, however, do meet for the conventional number of hours per credit because they do meet twice a week, once with the faculty member in class and a second time in learning teams of 3 to 5 students. The faculty member is not present when the learning teams meet. The learning teams engage in projects related to their course assignments, working as teams rather than on their own. UOP touts this method as developing the teamwork skills required by most modern jobs, and criticize the traditional universities for emphasizing solo work and competitive intellectual development. Without taking a position on the

might choose for any other than economic reasons not to employ a traditional faculty, but it's true."

pedagogical aspects of this model, it should simply be noted that the five week, 20 hour requirement for faculty is absolutely key to the successful economic functioning of the University. Without this approach, faculty labor supply would be sharply diminished, and/or labor costs would rise appreciably. The basic economics are simple and obvious. If the typical class enrolls 20 students at \$800 tuition each, revenue equals \$16,000. If the faculty member is paid \$1,600 to \$2,000, that leaves at least \$14,000 to cover all other costs plus profit. So long as demand remains strong, UOP is a veritable money machine.

The University has encountered problems with regulations in some states that require the traditional number of faculty contact hours, and the University's response has been to argue that it is a mistake to rely upon input measures rather than output measures to evaluate educational quality. The heavy emphasis placed on evaluation is, no doubt, partly caused by the need to back up this argument, which is critically important to the University not only educationally, but also economically.

Student Time: A second key to the University's success has been a focus on making the best possible use of student time. Convenience and service are the hallmarks, and the student is viewed as a customer, not as a client or a

supplicant.¹⁵ Even the location of the classrooms in buildings adjacent to freeway off-ramps, with ample parking, is planned to maximize student ease of physical access. The fact that students can start courses during virtually any week of the year also minimizes lost time compared to the Fall/Spring pattern of traditional institutions.

A student who contacts the University meets with an Enrollment Counselor who evaluates past course work and lays out a plan of courses leading to degree completion, i.e., the student's course of study is fully mapped out before he or she begins. The student can plan with certainty that courses will be offered on the schedule provided, a feature not always found in traditional universities. The entering student goes through an initial orientation session, learning how to use the electronic library and how to access various services such as writing and math/statistics laboratories. He or she also undergoes a variety of educational assessments for diagnostic and evaluation purposes, and learns how to order textbooks electronically, which are delivered directly to the home. Within a matter

¹⁵ University of Phoenix Comment: "This is an interesting point. Is it possible that there is a sense in which students can be both students (in one traditional sense of the word) and customers, when it comes to support services, program design, and model?"

of days, the new student can be enrolled and working toward a degree.

The University is also not motivated to be demanding in awarding credit to the student for prior course work. Transfer credit falls into two categories: credits from a regionally accredited institution and those that are awarded through the University's Prior Learning Assessment program. The latter program assesses and awards credits based on participation in professional training, on standardized testing such as CLEP, and on life experience (experiential learning). To gain credit for experiential learning, students must enroll in a course that helps them prepare a portfolio for assessment and evaluation. A maximum of 30 credits can be earned for each of the following: professional training (such as courses given by the American Institute of Banking), experiential learning, or standardized testing. No student can be awarded a total of more than 60 credits through all types of Prior Learning Assessment.

For those familiar with credit transfer in traditional institutions, UOP appears to be very liberal and non-demanding. One could say this policy is further evidence of the "student as customer" focus, as it clearly helps students to receive maximum feasible credit for prior work.

It is further evidence of the limited interest UOP takes in the first 60 credits of general education, as the real focus of their program is in the upper division third and fourth years, which concentrate on the major field of study. The North Central Association criticized UOP in its 1992 evaluation for not having a rigorous general education component, and the University responded by creating a Dean for General Education and investing more in this area. It remains, however, a relatively weak part of the program.¹⁶

Course Syllabi: In my experience, many academics know (or think they know) two things about UOP. First, a surprising number of people believe UOP is a virtual university, offering courses solely online. This perception, of course, is in error. The other thing they know is that course syllabi are centrally produced and effectively franchised, the "McEducation" criticism. On the second of these two points, the perception is not wrong, albeit somewhat exaggerated. Course syllabi are produced collectively, with input from individual instructors, as well as from the full-time faculty in each area. (There exists a faculty hierarchical structure, which, in

¹⁶ University of Phoenix Comment: "Using traditional standards and conventions one could make this argument—but, again, this area is the subject of constant evolution and development, and is appropriate to the population served."

descending order, includes the Campus College Chair (CCC), Assistant Department Chairs (ADC), the Faculty Curriculum Coordinator (FCC), and practitioner faculty. Only the CCC is a full-time faculty member.) Once adopted, experienced faculty members are free to deviate and customize a course to some degree, providing they can demonstrate that the students are covering the material prescribed for the course.

These common syllabi mean that a new instructor is provided with the course plan in advance, together with faculty guides and related materials. This policy also means that a given course taught in one location will be virtually identical in content to the same numbered course in another location. Students who move before completing a degree, therefore, can shift from one campus to another with little academic disruption. It also means that UOP reaps significant economies of scale, which gives the University enormous buying power with book publishers. Given the size of market, publishers are more than willing to produce customized texts for each course, made available only to UOP and its students. While most full-time faculty in traditional institutions take great pride in creating their own unique courses and syllabi, there is clearly something

to be said for this type of collective course design and implementation.

Online Courses: Begun in 1989, Phoenix Online is the fastest growing segment of UOP, and is treated as a distinct unit for financial analysis. (The online part of the University has its own "tracking" stock listed on the NASDAQ exchange.) In November 2002, nearly 50,000 students were enrolled in a Phoenix Online course, and revenues were reported at \$327 million for that year.¹⁷ Many UOP students take some courses online, and some in actual classes. The online coursework is essentially the same as in the classes, and it is distributed in a relatively low-tech fashion, relying on e-mail and web-sites. Courses are typically smaller, around 9 students, for the demands on faculty for e-mail contact are sufficiently time-consuming that fewer students can be taught via distance learning than in the group fashion of the classroom. Faculty members produce a weekly lecture, distributed as a text-formatted Word document rather than as a videotape. Parts of the course are asynchronous, but other parts are real-time discussions, enabled by group-collaboration software.

¹⁷ Florence Olson, "Phoenix Rises," The Chronicle of Higher Education, November 1, 2002.

Many organizations have attempted to enter the distance learning world, and few have thus far succeeded.¹⁸ In some cases, companies have spent far too much on production values, rendering their offerings too expensive to return a profit. In other cases, universities and related spin-off ventures have overestimated the demand for such instruction.¹⁹ The University of Phoenix would seem to be one of the few success stories in this area, generating and meeting substantial demand, keeping the technology simple and cost-effective, and turning a profit on the effort.

Facilities: Physical facilities are a major expense for traditional colleges and universities, but UOP has developed a cost-effective way to avoid large outlays. The needs of the University are far less than for traditional, residential colleges; UOP requires no dormitories, no athletic fields, and even no science laboratories, as they do not teach lab science courses. What they need are classrooms capable of holding 20-25 students, administrative space for staff and other full-time personnel, computer facilities, space for a Learning Resource Center (electronic

¹⁸ As this is being written (January 2003), Columbia University has announced that it would discontinue its highly-touted venture, Fathom, an online multi-institution, multi-media, effort to enter this arena.

¹⁹ University of Phoenix Comment: Another reason is the failure to invest as heavily as UOP has in the student service infrastructure for

library), and limited office space for faculty. These requirements are easily met by a normal office building near a well-traveled freeway, with easy access and plenty of parking space for staff and students. UOP leases their facilities from owners willing to construct new buildings, or modify existing ones, to their specifications. Leasing obviously ties up much less money than owning buildings, and provides UOP with the ability to develop space for new campus sites quickly.²⁰

Student Finance: With a student body composed of working adults and family incomes averaging between \$50,000 and \$60,000, student finance is not the severe problem for UOP that it can be for colleges and universities serving a younger population made of up full-time, low-income students. Nearly 60 percent of enrolled students at UOP receive some tuition assistance from employers, a much higher rate of such support than would be found in traditional institutions. Because UOP is an accredited institution, students are eligible for federal and state student aid programs if they meet the academic workload and income tests required by the various programs. And, of

online students instead of trying to serve them with the same processes and staff as the ground-based students."

²⁰ Sperling and Tucker, *op.cit* p.42, indicate that UOP can be up and running at a new location within six months.

course, many of the working students can afford to pay the \$800 to \$900 per course tuition from their own resources.

Summary: UOP has been financially successful because it focuses on a narrow range of career-oriented programs that can be provided at low cost through the use of part-time practitioner faculty following a standardized curriculum that yields substantial economies of scale. UOP avoids many of the costs traditional colleges and universities incur for residential programs and research activities, and they concentrate on a relatively high-income population that does not require substantial student aid. Students are treated as customers, and all UOP programs are focused on maximum student convenience and rapid degree completion. Their programs are sufficiently well regarded by employers that many of them pay the tuition for their student/employees. UOP online courses appear to be among the most successful in operation, in part because of relative simplicity, low costs, and integration with the array of regular classes. As the University expands each year into one or two new states, they are effectively saturating the adult, part-time market in the for-profit sector, and are discouraging other for-profits from attempting to compete with them on a broad scale. UOP has a

very sound business plan, for which the market is compensating stockholders handsomely.

Governance

In traditional colleges and universities, one speaks of governance and of administration, but less often of management. Sperling and Tucker argue that:

The University of Phoenix is unique in that it is both managed and governed. The University is a for-profit service corporation in which the Board of Directors sets policies and business strategies, and management carries out the policies and strategies. The faculty and its nominated academic governing body, together with the students and staff, oversee the quality of the educational services being delivered, and the teaching faculty and students create the dynamics of the teaching/learning process.²¹

Indeed, UOP has created parallel lines of authority, with academic issues brought up through faculty, Campus College Chairs, Deans, and ultimately to the Provost, while the financial dimensions are brought up through a parallel organization on the business side. The result is that there is a place for advocacy of academic issues that is not automatically trumped by financial considerations. For example, the type of conflict that can arise may occur when an accrediting body for a professional field, such as

²¹ Sperling and Tucker, *op.cit.*, p. 98.

Counseling, requires more coursework than state licensure requirements. The academic side of the University will press for the accrediting standard, while the business side will argue for the more streamlined approach. Regardless of which side prevails, the structure supports this debate, which from an academic point of view, is to the University's credit. The University appears to have taken an enlightened view of their long-run interest in not deciding all academic decisions on a purely short-run financial basis.

Whereas a traditional college or university has an enormous investment in the quality of its faculty, and provides numerous procedural safeguards, including tenure, to ensure academic freedom for teaching and scholarly work, the situation at UOP is different. Critics often argue that traditional institutions are more faculty-centered than student-centered, and while this may be an exaggeration, there is more than a grain of truth in that observation. There are reasons to be faculty-centered in that the reputation and scholarly productivity of faculty largely determine the prestige and status of the institution, which enhances the ability to attract high quality students, research grants and contracts, and gifts from grateful alumni. With UOP, however, these considerations are distinctly secondary to the all-consuming focus on student

satisfaction. If a practitioner faculty member receives consistently poor evaluations, that person is dropped. Even the full-time faculty spend half of their time administering programs, and thus are as much administrative as academic in their focus. UOP faculty, in short, are employees, do not have tenure, and can be let go, subject to laws that prevent wrongful dismissal. Under these circumstances, many of the governance issues that absorb time and energy in traditional institutions simply are not present. The models are simply different.

Weakness or Questions Regarding the UOP Educational Model

A central purpose of this study has been to determine what might be learned from successful for-profit, degree granting institutions such as UOP, and derive implications, if any, for the traditional sectors of higher education. Before turning to that task, let me first identify those areas of UOP operation that, in my judgment, represent actual or potential educational weaknesses. Much of this paper has emphasized the strong and successful features of the University, but those observations need to be balanced by a brief summary of areas that seem less positive, or at least open to question.

First, it seems apparent to this observer that UOP has relatively little interest in the general education aspect of their undergraduate programs,²² focusing instead on the professional training that occupies the last two years. This criticism extends to the transfer criteria they apply, and the willingness to bend over backwards to give credit for virtual any activity that can be construed as related to college work. This policy clearly reflects the fact that UOP does not convey a strong sense of broad educational purpose; its programs are intensely focused on training and immediate relevance to the workplace. While some may see this trait as a strength, it can also be seen as a weakness.

²² University of Phoenix Comment: "We disagree with this characterization. A very small percentage of students actually use prior learning credits and of those who do, the average number of credits applied is 15. Further, there are specific requirements for the different areas of general education. Thus, some credits accepted may not fall into any needed general education area and even though they are transcribed and, therefore, students end up taking the requisite coursework after all. Your conclusions appear to be based on an implicit assumption that adult educators have contested for years and that led to the development of the prior learning assessment system. That assumption is that the correct and acceptable place for education and learning is the classroom. In truth, of course, most of what we learn in life we learn outside of structured learning environments. PLA is a recognition of that fact. The process is designed to recognize that college level learning takes place elsewhere and it creates a system to evaluate that learning. Finally, our higher education system continues to operate under the fiction that students should go through a "coherent" program of study. In reality most students these days, even a good many of the traditional, full-time residential students (who now comprise only 16% of the student population) will transfer from institution to institution or bring in credits from a variety of places. Besides, the smorgasborg that now makes up general education in most institutions can scarcely be described as coherent."

Second, the fact that UOP awards credits for 1/2 of the faculty input as traditional universities raises a question about educational production. I have some sympathy with the UOP view that education should not be measured exclusively by inputs, and they do a good job of testing and evaluating students along the way, i.e., outcome assessment.

Nonetheless, much hinges on the quality of the time students spend in the learning teams, and a cynic might suggest that students have been known to shirk efforts that are not monitored. Furthermore, students in traditional universities often gather into informal study groups and undertake many of the same activities that presumably happen at UOP, and this on top of 40+ contact hours with a faculty member.²³ I am not in a position to render a conclusive judgment on this unique feature of the UOP learning model, but it remains a question unresolved to my satisfaction.

²³ University of Phoenix Comment: "Again, we're dealing with adults here, who bring an average 14 years of work (and adult life) experience to the classroom. There is much horizontal learning taking place and, in some real senses, these students are experts. More importantly, however, you seem to overlook the following points: (1) that the 40+ hours "scheduled" with a faculty member often does not represent contact with a faculty member at all (because students are most often not required to attend); (2) that the time spent in those 40+ hours do not all represent time on task; or (3) that the quality of contact is contextual- i.e., you can't argue that faculty contact in the large lecture sections that make for a great deal of the general education in most institutions (talk about an economic model-most agree that the lecture model to large numbers is the worst way to teach and yet it's the only way our system can balance the books) represents the same quality of contact, albeit fewer hours, in an 10-15 student classroom.

Third, the near total reliance on a part-time, practitioner faculty would be viewed in a traditional college or university setting as an absolute scandal, and the institution would be scorned by its peer institutions (assuming any would acknowledge it as a peer). Given the focus UOP has adopted on providing professional skills to a part-time, employed adult population, this potential criticism seems less pertinent. Most programs of continuing education offered by traditional colleges and universities also rely on part-time faculty, although in many cases these are regular faculty teaching on overload. I suspect that were UOP to enter the market of full-time undergraduate education using the same educational model, the faculty issue would take on much greater salience, and be far more controversial.

UOP has had difficulties with some state regulatory bodies because of the lack of a bricks and mortar library. In some instances, they have had to enter into contracts with local universities to provide student access to a regular library collection. The narrow focus of the Phoenix programs may be the best response to this question, for students are rarely expected to engage in broad research

Finally, we think you gloss over the outcomes argument. Why should students spend more time if the learning is equivalent?"

beyond the bounds of the literature available electronically in the Learning Resource Centers. UOP is not about general education, and does not award degrees in liberal arts and science disciplines, where broad library resources are a prerequisite. Given their focus, I am not inclined to be critical of the approach they have taken to this educational resource.

Finally, it is worth noting that UOP could not exist were it not for the scholarly and publishing work accomplished by faculty in traditional institutions. Essentially, UOP rides on the availability of scholarly knowledge generated elsewhere, and packages that knowledge effectively for adult students. One might argue that a global economic analysis of UOP would have to credit traditional academia with generating an enormous externality for the benefit of UOP and its students, in that the educational materials used are derived from the scholarly work of faculty in non-profit institutions. What this means is that an entire educational system populated only with UOP-type institutions would be intellectually barren and would not produce new knowledge. UOP thus depends critically upon the existence of the traditional sector for

most of its intellectual input and for its ultimate success.²⁴

Implications for Traditional Higher Education

In the final chapter, we will sketch a broader view of the implications for traditional colleges and universities of the growth of for-profit, degree-granting institutions. In this section, emphasis will be on implications of the UOP model alone.

A first lesson is the obvious success of UOP's emphasis on service and convenience for adult students. While many traditional institutions serve this constituency, often through divisions or schools of continuing education, few have gone so far as UOP to make the experience effective and efficient for the student. By starting a new type of University, the founders were able to dispense with many of the traditions and bureaucratic ways of doing things that slow or inhibit adaptation to new clientele on the part of older institutions. The availability of evening courses at convenient locations with good parking, the flexible calendar with courses starting every week, the five and six

²⁴ University of Phoenix Comment: "This suggests that there is no scholarship taking place among our faculty, a conclusion that research proves squarely not to be the case. But suppose it were true: we make no suggestion that UOP is "the" model for the future of higher

week course schedule, and superb support services have all contributed to the runaway success of UOP. All colleges and universities can learn from this student-centered approach.

The radically altered faculty role is potentially the biggest challenge presented by the UOP model, but it is far from clear that the way UOP manages faculty has meaningful implications for the rest of the enterprise. Faculty at UOP are part-time employees, and they are paid exclusively for teaching and providing related student services. Scholarly work is not part of the job, and the institution of tenure is inconceivable. This approach would be more threatening to faculty in traditional colleges and universities if the UOP employed a large, full-time faculty, but since they rely almost totally on part-time practitioners, the connections--and implications--are far from obvious.

Finally, while UOP competes on the margin with certain types of schools, our research suggests that they are largely extending higher education opportunities to a group of students who would otherwise not enroll in traditional programs. There are clear exceptions to this generalizations for those traditional programs that focus on the part-time adult population, but this is not a core

education--just that it is "a" model, and an appropriate one at that, for and institution with a specialized mission."

business to many colleges and universities. Indeed, John Sperling was motivated to start UOP because he found that few universities took the part-time adult population very seriously. Where UOP does compete with traditional institutions, competition will generally be beneficial to students, and there is no reason to decry that outcome. On balance, the education of working adults has been strengthened and improved by the existence of UOP, and the nation is the better for it.