Online Education Vendor Partners: When and How to Select One

Michael S. Hoffman  
St. Bonaventure University  
mhoffman@sbu.edu

Abstract

Higher education institutions are increasingly looking to online education as a means to broaden their market reach, increase student enrollments and ultimately realize increased tuition revenue. Many institutions, however, find that they have insufficient infrastructure resources to launch one or more fully online learning programs. A small number of corporations now specialize in assisting higher education institutions with both launching and maintaining online education programs. These online education vendor partners typically provide higher education institutions with support in the areas of student marketing, faculty development and technology infrastructure. Such relationships are typically paid for by a share of online tuition dollars and often last for up to ten years. Due to the relatively long timeframes and costs associated with these vendor partnerships it is critical that higher education institutions choose a vendor that is the best fit for the institution. Prior to selecting an online education vendor partner, an institution will likely compare a number of vendors across a variety of dimensions such as cost, level of services, and experience. An online vendor partner decision matrix is one method for objectively acquiring and reviewing decision criteria to assist institutions in selecting the appropriate online education vendor partner.

Introduction

This article will share one higher education institution’s process, methodology and recommendations for selecting an online education vendor partner. Online education has become a vital component of the higher education system in the United States (Chau, 2010; Hoskins, 2011; McCord, 2007; Moloney & Oakley, 2010). One common metric when assessing the importance of online education is to consider enrollment trends. A record 5.6 million students in the United States was estimated to have enrolled in at least one online course in the fall of 2012 (Allen & Seaman, 2010). The rate of growth of online higher education has outpaced face-to-face education and is expected to continue to grow (Moloney & Oakley II, 2010). While the merits of online education may continue to be disputed (Columbaro & Monaghan, 2012; Faulk, 2011; Osborne, Kriese, Tobey, & Johnson, 2012), the growing importance of online education is difficult to refute.

Higher education administrators often view online education as a means to increase student enrollments and thereby generate additional tuition revenue (Meyer, 2010; Schiffman, Vignare, & Geith, 2007). Efforts to expand existing or establish new online education programs are often undertaken by higher education administrators as a means to boost enrollments, improve efficiencies and decrease costs (Betts, Hartman, & Oxholm III, 2012; Chau, 2010; Meyer, 2010). The importance of online education to individual higher education institutions appears to be intensifying. Indeed, many higher education administrators view online education as strategically important and critical to the future of their institutions (Betts et al., 2012; Chau, 2010).
Institutional efforts to establish or expand online education programs are not, however, without significant financial investment. Successful online education programs require adequate allotment of resources in areas such as faculty development, marketing, technology infrastructure, student retention, and course development (Bartley & Golek, 2004; Heyman, 2010; Moloney & Oakley, 2010; Neely & Tucker, 2010). These resource investments may constitute a significant barrier to entry for institutions seeking to enter the online education market (Chen, 2012). For this reason many higher education institutions look to online education vendor partners, such as Bisk Education, Embanet-Compass, and The Learning House, for assistance in the launch of new online education programs (Baines & Chiarelott, 2010; Hillman & Corkery, 2010; Quigley & Pereira, 2011; Russell & American Association of State Colleges and Universities, 2010). For institutions choosing to engage an online education vendor partner, it is critical that the appropriate partner be chosen due to the propensity for such partnerships to be long-term and relatively expensive.

This paper will briefly review the literature to explore the importance of online education to the American higher education system. The need faced by many higher education institutions to implement online education programs will then be explored. The rationale for soliciting assistance from an online education vendor partner will be discussed, followed by a brief discussion of when institutions might consider a vendor partnership. The article will then use a case-study methodology to address how one private, liberal arts institution utilized a decision-matrix approach to compare and ultimately select an online education vendor partner. The article will conclude with a discussion as to how the approach detailed in the case study can serve as a model for other higher education institutions in the online vendor selection process.

**Literature Review**

Online education continues to grow in importance to the American higher education system. Indeed, the most recent Sloan Consortium report (2010) indicates that enrollments in online courses grew from 9.6 percent of total higher education enrollments in fall of 2002 to 31.3 percent in fall of 2010. Demand for online higher education is expected to continue to grow (Moloney & Oakley II, 2010). The reasons for the popularity of online education are as numerous as they are varied. Fully online education courses allow students to attend classes from virtually any geographic locale (Schiffman et al., 2007). This level of geographic flexibility can also allow non-residential students to avoid the travel costs typically associated with college attendance (Lei & Govra, 2010a). Additionally, those online courses offered in an asynchronous manner allow a tremendous level of flexibility due to their reliance on tools including discussion boards, posted assignments, and recorded lectures (Olson & Hale, 2007). This flexibility may be particularly beneficial for adult students with children or full-time jobs (Lei & Govra, 2010b; Picciano, Seaman, & Allen, 2010).

The popularity of online education extends beyond the students. Higher education institutions can also realize significant advantages from the successful implementation of online education programs. Many institutions look to online education as a means to increase student enrollments (Patterson & McFadden, 2012). Institutions can leverage online education to engage potential students who would have otherwise been unable to participate in higher education (Picciano et al., 2010). Online education has the added benefit of allowing higher education institutions to increase student enrollments without the necessary investments in physical infrastructure that such increases would typically require (Lei & Govra, 2010a). The flexibility of online education also allows higher education institutions the opportunity to recruit faculty from a much wider geographic area (Patrick & Yick, 2005).
While online education offers a host of potential benefits to higher education institutions, there are a number of investments that institutions need to consider in order to implement successful online education initiatives. Higher education institutions, for example, are unlikely to achieve enrollment goals by simply offering online education programming (Moloney & Oakley II, 2010). Rather, sufficient marketing resources will be necessary to support the enrollment goals of any new online education initiative (Moloney & Oakley II, 2010). So too must higher education institutions consider the need for expanding student retention efforts, as online education students have been shown to have a higher attrition rate than do face-to-face students (Patterson & McFadden, 2012). Institutions need to consider allocation of resources to both the enrollment and retention of online education students to help realize expanded enrollments.

The need for institutional investment in online education does not end with marketing and enrollment efforts. Advanced technology systems and infrastructure are often prerequisites for online education programming and may require substantial institutional investment (Lei & Govra, 2010). Furthermore, highly-available technical support for such systems will likely be necessary to support online students (Osika, Johnson, & Buteau, 2012). An institution’s faculty members will also likely require training and development opportunities in the area of online education in order to provide high-quality online education programming (Green, Alejandro, & Brown, 2012; McCord, 2007). Special academic student support systems may also be necessary to support online students and indirectly support institutional retention efforts (Menchaca & Bekele, 2008).

The aforementioned array of requisite investments leaves institutions with a difficult strategic choice; commit significant financial resources in the hopes of meeting enrollment targets or forgo any new online education initiatives. Many institutions have, however, selected a third option; electing to leverage a corporate online education vendor partner to assist with the launch of new online education programs (Baines & Chiarelott, 2010; Hillman & Corkery, 2010; Quigley & Pereira, 2011; Russell & American Association of State Colleges and Universities, 2010). American companies are increasingly turning to vendors in an effort to outsource portions of their operations (Wadhwa & Ravindran, 2007). Higher education institutions are no exception; often establishing relationships with vendor partners for assistance in the areas of marketing, technology support, faculty development and/or enrollment management (Baines & Chiarelott, 2010; Hillman & Corkery, 2010; Quigley & Pereira, 2011; Russell & American Association of State Colleges and Universities, 2010). In exchange, the vendor partner will typically receive a portion of online education tuition revenue for a pre-determined length of time (Parry, 2010).

An online education vendor partnership may appeal to an institution for a variety of reasons. Institutions may seek out these partnerships when sufficient on-campus expertise in the area of online education is unavailable (Baines & Chiarelott, 2010). For example, an institution seeking to recruit online education students from a wider, even international, geographic area may engage an online education vendor partner to leverage the partner’s expertise in enrollment marketing (Hillman & Corkery, 2010). Institutions which lack sufficient staff to support new or expanded online education programs may contract with an online education vendor partner to augment their existing staff (Hillman & Corkery, 2010). Online education vendor partners can also provide the specific services necessary for institutions to launch online education programs such as 24/7 technical support and online course design (Hillman & Corkery, 2010). Institutions may also engage an online education vendor partner in an effort to facilitate a quicker entry into the online education marketplace than would otherwise be possible (Baines & Chiarelott, 2010; Hillman & Corkery, 2010; Quigley & Pereira, 2011; Russell & American Association of State Colleges and Universities, 2010).
Many higher education institutions engage vendor partners to outsource a variety of services such as dining services, bookstores and custodial services (Lee & Clery, 2004; Quigley & Pereira, 2011; Baines & Chiarelott, 2010). Online education vendor partnerships may be seen as a continuation of this trend. Indeed, online education vendor agreements can be structured in such a way as to allow institutions to retain responsibility for all academic content yet still benefit from a vendor’s infrastructure and support services (Parry, 2010). Baines and Chiarelott (2010) caution, however, that higher education institutions not cede control of their academic content to online education vendor partners. Indeed, the authors warn that it is vital that colleges not allow online education partnerships to marginalize the faculty (Baines & Chiarelott, 2010). Furthermore, higher education administrators must ensure that online education partnerships do not conflict with the institution’s mission, compromise academic quality, or allow profits to supersede education (American Association of State Colleges and Universities, 2010). Higher education institutions should approach online education vendor partner agreements with care and examine the full range of potential consequences (Baines & Chiarelott, 2010; Hillman & Corkery, 2010; Quigley & Pereira, 2011; Russell & American Association of State Colleges and Universities, 2010).

Once a higher education institution has elected to solicit the assistance of an online education vendor partner, it becomes critical that the institution employ a rigorous vendor selection process. The decision to partner with an online education vendor, and even to launch new online education programs, is one that is likely to be perceived by employees to be a potential high-impact decision with significant consequences for the both the employees and the institution (Russell & American Association of State Colleges, and Universities, 2010). Therefore, the vendor partner selection process is likely to attract a great deal of employee interest due to the impactful nature of the decision (Choban, Choban, & Choban, 2008). Higher education institutions have traditionally employed an inclusive, collaborative decision making process (Nadler, Miller, & Modica, 2010). Additionally, Fullan (2008) emphasizes the importance of transparency to a change process; particularly to the extent such transparency allows all constituencies the opportunity to fully appreciate the ramifications of a decision. Furthermore, Hillman & Corkery (2010) argue that a collaborative environment is vital to the success of any new online education initiative. As such, a collaborative and transparent vendor selection process will likely provide an ideal method not only to facilitate the vendor selection process, but to build campus support for the subsequent vendor relationship and new online education initiative.

**Online Education Vendor Partnerships – When Do They Make Sense?**

Institutions will often look to online education vendor partners for assistance when they lack the expertise and/or resources to launch new online education programs (Hillman & Corkery, 2010). Those institutions with established online education programs are less likely to need the resources and expertise of an online education vendor partner. For institutions with limited or no expertise in the field of online education, however, online education vendor partners can provide a substantial boost to new online programming initiatives. Such assistance does come with a price. Online education vendor partnerships can be very expensive for the host institution. The research in the following case study found that online education vendors charge anywhere from 20 to 60 percent of an institution’s gross online tuition revenue. This is a substantial commitment that must be carefully weighed against the potential benefits of an online vendor partnership.

The following case study outlines one higher education institution’s process for selecting an online education vendor partner. Not all institutions will choose to work with an online education vendor partner. Each institution will need to carefully weigh the aforementioned costs and benefits to
determine if a vendor partnership is in its best interest. This case study offers one method for selecting a vendor partner, which may be helpful for those institutions that do determine that a vendor partnership is indeed the best way to move forward with online programming.

Online Education Vendor Selection Process – A Case Study

Background

The subject of this case study is a private, liberal arts institution located in a rural northeastern community. The institution enrolls approximately 2,000 primarily residential undergraduate students in its liberal arts and professional schools. In addition, the institution also offers graduate programs in a variety of professional programs to approximately 500 full and part-time students. Most courses are offered in a traditional face-to-face format, with the exceptions being a small number of summer online courses and a single hybrid-format graduate program. The institution is considering offering one or more graduate programs in a fully online delivery format.

Need for an online education vendor partner

The institution’s limited experience with online education presented several problems when considering the launch of one or more online education programs. The limited forays into online education have not resulted in sufficient campus knowledge regarding the design or implementation of fully online courses. The existing technology support infrastructure is designed to support the traditional residential student population, with only limited support offered in the evenings and on weekends. Marketing and enrollment efforts have largely been contained to a regional area with little emphasis on national recruitment. The administration also acknowledged a need for assistance in navigating the legal and regulatory requirements for offering online programs to out-of-state students, such as the federal Department of Education’s state authorization requirement (Cummings, 2011). Very early on in the planning process the administration elected to solicit the support of an online education vendor partner to assist with the marketing, student support services, regulatory compliance and faculty development associated with the implementation of online education programs. This need is particularly pronounced given the aggressive timeframe of nine months in which the institution desired to launch its first fully online graduate program.

Need for a process

Members of the institution’s academic administration recognized a need to solicit and compare proposals from multiple online education vendors in order to select the best possible vendor. It was decided that a team of academic administrators would serve on a temporary Vendor Selection Team with the goal of recommending to the Provost the best possible vendor partnership for the institution. Several important decisions needed to be made, however, before vendor proposals could be solicited:

1. The composition of the Vendor Selection Team.
2. The criteria upon which each vendor would be evaluated.
3. Identification of the specific vendors who would be invited to submit proposals

Vendor Selection Team

The institution was seeking to initially only launch one new online program. The membership of the Vendor Selection Team, however, was broadened to include academic leadership from each of the
The institution’s schools in addition to the leadership from the proposed new online program. The Vendor Selection Team was purposefully inclusive due to the understanding that the online education vendor relationship would likely be long-term and impact most, if not all, institutional schools. In addition to the deans of each school, the vendor selection team consisted of the following individuals:

1. Vice Provost
2. Executive Director for Information Technology
3. Director of Institutional Research & Registrar
4. Anticipated director of the proposed new online program

Additional individuals, including the Provost and the Senior Vice President for Finance, were also included at major decision points in the process.

**Identification of potential online education vendor partners**

The Vendor Selection Team’s initial task was to identify a “short-list” of online education vendor partners for the purposes of soliciting a partnership proposal. The team solicited feedback from other higher education institutions by utilizing the EDUCAUSE Chief Information Officer email listserv. Further research was conducted via the Internet to determine which online education partners should be approached for a partnership proposal. Finally, a conversation was held with each potential online education vendor partner to determine the feasibility of moving forward with a vendor proposal. This initial vendor conversation consisted of a brief overview of the institution’s online program vision and a discussion of how that vision fit within the vendor’s partnership framework. As a result of the research and vendor conversations, the institution was able to select four online education vendors to meet with the Vendor Selection Team to further explore a potential partnership.

**Creation of an online education vendor partner decision matrix**

Prior to meeting with each of the four selected online education vendor partners, members of the Vendor Selection Team developed a vendor partner decision matrix (Table 1). This decision matrix was used by the Vendor Selection Team to identify the criteria by which each of the potential vendor partners would be evaluated. Institutions with experience with online education vendor partnerships were consulted to assist in the construction of the decision matrix. Important criteria categories were defined as support services, technology systems, vendor characteristics, financial impact and vendor interest. Criteria were then assigned to one of these categories on the decision matrix. The co-chairs of the Vendor Selection Team developed the matrix and circulated it to the remaining team members. The matrix was used to aid in the conversations during meetings with each of the potential online education vendor partners. The matrix was fully completed and used to aid in the selection of an online education vendor partner.

**Table 1: Online Education Vendor Partner Decision Matrix**

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Recommendations

Define decision criteria and utilize a process

The selection of an online education vendor partner represents a significant institutional commitment. Such a relationship will likely be long lasting and resource intensive, thus making it critical that an institution select the best vendor partner to meet their needs. As such, it is important for an institution to identify selection criteria that can be used to assist in the evaluation of potential online education vendor partners. The selection criteria may differ in makeup and importance for different institutions. The aforementioned decision matrix is one method for identifying and grouping selection criteria.

Clearly defining the selection criteria will help to ensure all individuals involved in the selection process are aware of the expectations for each vendor, that each vendor is compared against similar criteria, and that each of the criteria are examined for all of the vendors. The establishment of a vendor selection process will provide an organized manner by which to choose the vendor as well as help lend legitimacy to the decision.

Leverage the experiences of other institutions

A variety of higher education institutions with experience in the online education vendor model were
contacted for advice during the vendor selection process as described in the case study. This advice proved to be invaluable; particularly to the extent it helped to narrow the initial list of vendor partners and informed the selection of the vendor criteria. Institutions seeking to establish an online education vendor partnership are advised to reach out to other higher education institutions in an attempt to benefit from their experiences. These institutions may also be willing to share valuable insight into their existing online vendor partner relationships.

**Solicit vendor feedback**

While the creation of a vendor decision matrix and utilization of a decision process will assist an institution in the selection of an online education vendor partner, an institution can also benefit from the selection process in other ways. For example, an online education vendor selection process is a rare opportunity to solicit free, expert advice on your institution’s online education strategy. Most online education vendors will be well versed in the intricacies of the online education marketplace, including factors such as program marketability, student interest, average tuition costs, average term lengths, and prospects for enrollment. It is recommended that the vendor selection process be used as a method to solicit feedback regarding your institution’s online education strategy. Institutions may consider utilizing their institution’s vendor partner decision matrix to record advice from each vendor with regards to each of the criteria. For example, the online education tools being offered by each vendor may prompt your selection team to consider the extent to which your proposed online curriculum can leverage such tools. Soliciting feedback can be particularly useful when several different vendors are consulted, allowing for a comparative analysis of differences and similarities in the feedback received.

**Ensure the appropriate personnel are included in the vendor selection process**

For many higher education institutions, the selection of an online education vendor partner is a decision that will have significant and wide-ranging consequences for the institution. As such, it is recommended that special attention be given to ensuring the appropriate personnel are included in the decision process. At a minimum, it is advised that the following personnel be included in the process:

1. Senior academic leader
2. Deans of individual colleges or schools, where applicable
3. Representatives from each proposed online program
4. Representative from campus information technology office
5. Representative from campus marketing office
6. Representative from campus enrollment office
7. Representative from campus registrar’s office

Involvement of the appropriate personnel in the vendor selection process may benefit the institution in a number of ways. For example, having a broad representation of the academic leadership may promote innovative thinking regarding the potential for new online education programs in academic areas not previously considered for online education initiatives. Representatives from the information technology, registrar, enrollment and marketing offices will likely offer specific expertise with regards to the operational aspects of an online education vendor partnership. Additionally, members of the selection team can ensure that the decision matrix is sufficiently robust to address all important areas of consideration. An examination of the criteria selected for an online vendor partner decision matrix can be useful to ensure the correct campus personnel are involved in the selection process.
Questions to Consider

1. Do you have the right mix of campus personnel participating in the online education vendor selection process?
2. Have you identified criteria by which you will evaluate each of the potential online education vendors?
3. Are you prepared to use the online education vendor selection process as an opportunity to solicit expert feedback on your institution’s online education strategy?
4. Are your institution’s online education initiatives attractive to online education vendors?

Summary

Many higher education institutions are leveraging online education to increase student enrollments (Green & Wagner, 2011). This trend is expected to continue, particularly among those institutions that are highly dependent upon student tuition dollars. As such, it is likely that many higher education institutions in need of assistance in offering online programs will be faced with the decision to select an online education vendor partner. Establishment of an online education vendor process, selection of evaluation criteria, appointment of a selection team, and solicitation of vendor feedback are all manners in which an institution is advised to approach the online vendor selection. Ultimately, the online education vendor selection process assisted this institution in the successful selection of a vendor partner. The recommendations presented in this paper are based on the experiences of a small, highly residential liberal arts institution with very little experience in online instruction. As such, there is no way to predict the feasibility of these findings to other types of institutions. Future research could seek to compare the online education vendor selection approaches from multiple institutions and varied types of institutions to provide a more robust analysis of approaches used to assist in the vendor selection process.

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