

For-Profits on the Move

Ben Wildavsky

As a seventeen-year-old high school senior in Baltimore in the early 1980s, Douglas Becker combined his interest in computers, his aspiration to be a doctor, and his entrepreneurial sensibility to start a company that could carry out his ideas for computerizing medical records. He was so intent on pursuing his plan that he twice deferred acceptance to Harvard (and ultimately never went to college at all). Within two years, his health care firm was purchased by Blue Cross/Blue Shield. Becker and three friends who were his partners took the proceeds and created a private equity firm. They quickly decided to focus on education investments, reasoning that the education sector had some resemblance to health care—notably in its potential to be improved by the transformational power of technology.

Before long, the group of investors had purchased a little-known tutoring firm called Sylvan Learning Centers, which offered a rudimentary version of computerized academic coaching. Becker became CEO of the firm in 1991. During his twelve-year tenure as head of the company, now known as Sylvan Learning Systems, it rode the wave of the testing and accountability movement sweeping the nation to serve 200,000 elementary and secondary students at more than 1,000 centers around North America. Because Sylvan relied heavily on moonlighting teachers as its academic coaches, Becker and his colleagues eventually realized that the 25,000 teachers the firm had hired made it the largest private employer of teachers in the United States. The recognition that teacher training was “a strategic imperative for us,” Becker says,¹ led to the firm’s first foray into the world of private sector higher education when, in 1997, Sylvan purchased Canter and Associates, a teacher-training company focused on distance learning that offered a fast-growing master’s program in education.

Within a few years, Sylvan had a controlling interest in Walden University, another for-profit online university offering a range of career-oriented degrees. It also acquired a majority stake in the Universidad Europea de

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Madrid, a for-profit university in Spain. By 2003, postsecondary education was the source of two-thirds of the company's revenues, which approached \$1 billion annually. It spun off its tutoring business into a publicly traded company called Educate, Inc., and renamed its existing company Laureate Education, positioning it to focus on the burgeoning market in for-profit postsecondary education in general—and global for-profit higher education in particular. The resulting firm is now a key player in the private sector version of global higher ed. Through the universities it owns, Laureate—now privately held—educates nearly half a million students in forty-three institutions in twenty countries around the world, from Mexico, Chile, and Brazil to France, the Netherlands, Cyprus, China, and Australia.

Becker himself has followed the company's global trajectory, moving his family from Baltimore to China to oversee several new acquisitions there, then going on to Paris to track Laureate's global business interests. The secret of Laureate's success, he says, is not that it has a global vision for what universities should teach and how they should teach it; quite the contrary. Unlike some Western nonprofit universities that have sought to spread overseas by setting up branch campuses, he says, "we never had a single model to export. We looked at every individual market. We asked, 'What does that market need?' And we said, 'Let's go give it to them.'"

A VAST NEW MARKET

Why did for-profit higher education become the kind of high-growth worldwide industry that would attract entrepreneurs like Becker? Because the globalization of traditional research universities has so far been largely an elite phenomenon. The for-profit sector, by contrast, has targeted a vast and vastly different student market: non-elite learners, often poorly served by existing institutions, who are eager to earn practical, career-oriented degrees. And for-profits have grown quickly in part because of their willingness to use technology far more aggressively than their more conventional university counterparts.

Growth in for-profit higher education is in part a function of growth in postsecondary education more generally. As of 2001, more than 90 million students around the world were enrolled in postsecondary institutions. Just two years later, that figure had passed 100 million (with much of that increase taking place in China). And by 2006 the number had risen to some 115 million students. But this soaring enrollment, driven by growing

middle-class populations with a healthy appetite for higher education, could not easily have taken place in the public sector alone because of lagging government spending on postsecondary education in many countries. That is why the new global demand in turn created a vast private higher education market, with a value estimated by the World Bank's International Finance Corporation at about \$400 billion worldwide in 2006.²

For-profit higher education has grown especially quickly in Asia and Latin America. A leading expert on private sector higher education globalization cites a range of statistics that demonstrate the trend. Ron Perkinson is a New Zealander who was formerly senior education specialist with the World Bank's International Finance Corporation and senior vice president of Whitney International University System, one of the new US-run for-profit providers moving into international markets. He notes that in the eight Asian countries with the largest populations, student enrollment from 1991 to 2001 grew by 260 percent. "Most of this growth was absorbed by the private sector," he writes. In Indonesia, for example, state universities are vastly oversubscribed: in 2004, 344,000 students applied for about 80,000 slots. Growing numbers of Indonesian students leave the country to study overseas each year. And domestic enrollment is skewed toward private sector institutions, which enrolled 68 percent of students—2.1 million—in 2004, compared to 900,000 students enrolled in public universities. Elsewhere, for-profit higher education makes up an extremely high percentage of enrollment: 80 percent in South Korea; 77 percent in Japan; 75 percent in India and Brazil; 68 percent in the Philippines, Indonesia, and Columbia; and 63 percent in Belgium. The percentage is substantial in Mexico and in the United States as well, at 33 and 32 percent, respectively.³

The majority of for-profit postsecondary institutions are domestically owned and operated. But a group of new corporate players, most based in the United States, have seized on the potential of for-profit universities, acquiring a growing number of institutions that have the capacity for even greater growth. Laureate is certainly not alone on this terrain. Other participants in the new market include Whitney International, created by Texas entrepreneur Randy Best; Apollo Global, formed by the Apollo Group, the parent company of the hugely successful University of Phoenix; Kaplan, Inc., the fast-expanding education provider; and DeVry Inc., the parent company of DeVry University, which specializes in business and management degrees.

Whitney International, for instance, is a relatively new entrant that has controlling interests in Brazil's University Center Jorge Amado, Panama's Isthmus University, and two Colombian community colleges. It is also creating alliances with a number of established Latin American universities, including Argentina's Twenty-first-Century Managerial University and Colombia's Grancolombiano Polytechnic. It relies heavily on moderately priced distance-learning programs and is seeking to partner with for-profit institutions—most considered low- to middle-tier—that offer practical degree programs at the associate and bachelor's level, including business, engineering, and marketing. The company enrolled some 40,000 students in distance-learning classes in Latin America in 2008, a figure it hoped to double the following year. And beyond Latin America, it plans to expand into India and other Asian nations. "With a bit of technology and affordable tuition, we're reaching thousands of people," Whitney's chief technology officer told the *Chronicle of Higher Education*.⁴

International education now provides a significant source of revenues for companies better known for other activities. Kaplan, Inc., became a giant in the US test preparation business, making the company a huge financial success (so much so that its parent firm, the Washington Post Company, has been able to stay profitable even as its flagship newspaper suffers from the same woes as the rest of the media industry). Like Laureate, however, Kaplan made a significant move into higher education, with test preparation now accounting for less than a quarter of its business. Its major activity is now postsecondary education: in the United States, the company offers mostly online certificates and degrees in practical fields such as nursing, criminal justice, and information technology. Overseas, it runs a variety of higher ed ventures, often so-called pathway programs that serve students in assorted non-Western countries who wish to study in the West. These programs are typically one-year courses that cover everything from English-language training and core academic skills to instruction in how Western universities work. Such preparation is sometimes required as a condition of admissions by British or Australian universities. Kaplan doesn't only offer a year of college prep, however. Some of its campuses have partnerships with Western universities that allow students to begin in China, under Kaplan auspices, and then go on to complete their coursework at, say, Northeastern University, the University of Adelaide, or Sheffield University in Britain.

Another giant on the American for-profit higher education scene, the Apollo Group, sees big growth prospects overseas. Apollo, the parent company of the University of Phoenix, which created a thriving business catering to working adults with mostly online courses, waited for some time to dive into the international for-profit market. It did so with a splash, however, announcing a joint venture with the Carlyle Group in October 2007. The two partners agreed to pledge \$800 million and \$200 million, respectively, to the newly formed Apollo Global, which set its sights in particular on serving the “attractive demographics” of Latin America and Asia.⁵ The following year, the new venture went on to acquire the Universidad de Artes Ciencias y Comunicación, a Chilean arts and sciences university known as UNIACC, and to purchase a majority stake in the Universidad Latinoamericana, a private university in Mexico City specializing in dentistry, medicine, and communications programs that had previously been part-owned by Carlyle. By the spring of 2009, Apollo Global was in talks to acquire a British higher education company, BPP Professional Education, which was the first for-profit institution to offer degrees in Britain.⁶

Apparently not wishing to be left behind in the rush to seek international business, one of the biggest publicly held for-profit higher education companies, DeVry Inc., is also entering the fray. The firm has already been successful enough in the United States to win over onetime skeptic Harold Shapiro, former president of Princeton and the University of Michigan, who now chairs DeVry’s board.⁷ Next, in March 2009, DeVry, which owns such US institutions as DeVry University, Ross University, and Chamberlain College of Nursing, announced its first major overseas foray—the purchase of a majority stake in Fanor, a firm that provides private postsecondary education in northeastern Brazil. The agreement called for DeVry to pay \$23.5 million in cash for Fanor and to assume the company’s debt in exchange for a 69.3 percent stake in the company. The three colleges owned by Fanor serve more than 10,000 students in some twenty-eight undergraduate programs in business, law, and engineering.⁸ This vocational focus is in keeping with the US operations of DeVry, which focuses on professional education in technology, business, and management, delivered in undergraduate, graduate, and lifelong learning programs aimed at working adults.

The international for-profit education market is certainly not restricted to US companies. Singapore-based Raffles Education has campuses in

Australia, India, Malaysia, and Hong Kong. The Estacia University Group in Brazil invested in a Paraguay campus. Nyenrode Business Universiteit, an elite for-profit business school in the Netherlands, opened a branch campus in Nigeria.⁹ But the largest and higher-profile new entrants in the cross-border for-profit university market are American firms. And of those, by far the biggest is Laureate, which seems poised to build significantly on its already dramatic success.

Laureate already has more than 150 campuses in North America, Latin America, Europe, and Asia. It offers a multitude of degrees in engineering, education, business, health care, hospitality, and information technology. The company experienced 30 percent growth annually for six years running, with \$2 billion a year in revenues.¹⁰ CEO Becker projects that demand for higher education among eighteen- to twenty-four-year-olds will continue to grow by 10 percent a year. And he notes that private, for-profit operators are no longer content simply to acquire open secretarial schools and other vocational programs; now they are beginning to operate mainstream research and medical institutions as well—both of which Laureate has done. Indeed, in July 2008, Laureate announced that it had acquired several large private universities in Mexico and Costa Rica, one of which includes a medical school (overall Laureate now runs fifteen medical schools).¹¹ And in Chile, according to Becker, Laureate's institutions are the largest private recipients of federal research funds.¹²

While Laureate runs postsecondary institutions worldwide—including well-regarded hotel-management schools in Switzerland and Spain—the core of its operations are in Latin America. Becker cites two Laureate-owned universities in the region as particularly good examples of the company's approach. One is the Universidad del Valle de México, or UVM, a well-regarded university founded in 1960 that educates some 90,000 undergraduate and graduate students on thirty-five campuses. Becker calls the university a “mid-tier” institution that caters to Mexico's expanding middle class. He is proud that in a *Reader's Digest* survey UVM placed in the top ten for six years in a row, ranking seventh in 2009. He is prouder still, however, of the fact that all the higher-ranked institutions were elite universities—either public institutions that cost little or nothing but reject most applicants, or private universities that charge two or three times UVM's annual tuition (which stood at around \$4,100 in 2009).¹³ Using language that echoes almost precisely the rhetoric used in US higher education policy debates, he argues

that through institutions such as UVM, Laureate delivers “recognized quality education while adhering to a mission of access and affordability.”¹⁴

That the rising global for-profit sector typically focuses on universities offering programs in health care, nursing, business, and the like is no accident. Increasing numbers of university students are nontraditional age: close to 40 percent of US undergrads and 30 percent of Canadian undergrads are over twenty-five years old, while more than 20 percent of first-year university students in Australia, New Zealand, Denmark, Norway, and Sweden were over twenty-seven in 2000, according to OECD figures. That demographic shift, toward what is usually known as “lifelong learning,” has required universities to rethink the mix of educational offerings they provide to cater to the needs of different kinds of students, many of whom are older and seek part-time coursework. That has led them to consider not only the formal education they have traditionally provided but also on-the-job vocational training, as well as distance learning that students can complete at home.¹⁵

At the same time, Perkinson reports, demand for technical and vocational education and training has risen substantially with, among other developments, the massive growth of the information technology (IT) industry. For example, some European and US firms have reported shortages in IT jobs, a development that—combined with other factors—has led many universities to include vocational programs in their mix of offerings. It has also, of course, provided huge new opportunities for for-profit institutions to offer classes, both in and outside university settings, that are typically less expensive and shorter in length than regular college courses. India’s IT training firm APTECH, for instance, has some 3,000 training centers in 52 countries.¹⁶ For similar reasons, plenty of international activity can be found in the corporate-training sector as well. Cisco Systems has a “Networking Academy” that provides practical IT courses to 600,000 students in more than 160 countries. In Morocco, enrollment rose 47 percent from 2007 to 2008 alone, with women making up nearly one-third of students.¹⁷

That market demand is so career-oriented explains why international for-profit universities rarely do more than dabble in research. Despite conducting some applied research projects—in part because this kind of work can be important to the job satisfaction of faculty members—Becker says pushing scientific frontiers will never be part of Laureate’s mission. “We will never do basic research,” he says. “We need to pick our niches.” That is

one of several defining characteristics of the flourishing private university market overseas, he adds. While he takes pains to note that his institutions are universities, not trade schools, Becker says that in general, “the private sector will focus on employment-oriented outcomes for students who can afford to pay. The public sector will focus on three things: research, the absolute elite best students, and the students who aren’t great students and can’t afford to go to private universities.”

However, while the growth of for-profit universities has led to criticisms that they provide education for the privileged elite, the reality is far more complicated. In some ways, the growth of private institutions, which cater to a level of demand that public universities are often unable to meet, overturns stereotypes about which kinds of students are served by each type of institution. While good data are hard to obtain, many students who would not otherwise have access to higher education receive important skills from private institutions, argues Daniel Levy, a professor at the University of Albany (SUNY) and director of the Program for Research on Private Higher Education. “A lot of the private institutions are what I call ‘demand-absorbing institutions’—they are attracting a lot of people who couldn’t make it in the public sector.”¹⁸

While Americans tend to associate private (nonprofit) universities with elite education (even though most US private universities are not elite), in the rest of the world almost all elites are public. With fiercely competitive admissions exams, often the children of the wealthy are best able to obtain the preparation necessary to get in. In a country such as Brazil, with its deep class divides, Levy says a typical pattern would be for exclusive public universities to admit affluent students who have attended private primary and secondary schools before receiving taxpayer-subsidized postsecondary education. Lower- and middle-income students tend to be squeezed out: “At stage one, they weren’t from privileged backgrounds,” Levy says, while at stage two, “they weren’t strong enough academically.” All this means that domestic opportunities for some students are limited, thus opening the door for the Apollos, Kaplans, Laureates, and more.

While global for-profit universities certainly face barriers, they have investors convinced that they represent a major financial opportunity notwithstanding gloomy economic times. Brooke Coburn, managing director at the Carlyle Group and head of the blue chip investing firm’s US Growth Capital Team, lays out a detailed case for his company’s interest in private sector education in general and its decision to enter a joint venture with

Apollo Global in particular. Carlyle invests in for-profit companies, with Coburn's fund focusing on "long-term investment in growth sectors where you have the potential to meaningfully expand companies over five to ten years."¹⁹ Carlyle makes particular efforts to help the companies in which it invests expand internationally. For more than a decade, Coburn's fund has been active in the global education sector, which he views as an area where "opportunities are very significant from an investor's point of view."

Why are those opportunities so great? First, massive funds are spent on education. Coburn notes that in most countries around the world, education "is a big-four or big-five spending item" coming not far behind health care. Moreover, the importance of developing human capital is increasingly clear on a practical level. "There's a near-perfect correlation between educational level and earnings potential, so it's one where, from the consumer's standpoint, there's a very high return on investment." In addition, he sees growth potential for the for-profit sector because of the capacity limits that have often characterized postsecondary systems in nations where university education has been geared at the elite rather than the masses.

Finally, drawing another health care parallel, Coburn says the introduction of technology has improved efficiency a lot, whereas "education is still relatively nascent in terms of technology adoption." As an example of the room that exists for growth, he points to Blackboard, Inc., an education-technology firm in which Carlyle invested more than ten years ago. In the past decade, Blackboard has grown a hundredfold, from a small firm to the world's largest provider of instructional software for postsecondary institutions. Most of Blackboard's business is in the United States, but it has expanded overseas as well.

While Carlyle rarely forms joint ventures with corporations, it did so with Apollo because "there was a very symbolic fit between what they do well and what we do well," Coburn says. The investment firm brings capital, of course, plus an international presence that is rare among private equity firms, long-standing interest in education, and extensive experience making acquisitions. For its part, Apollo has developed a flourishing domestic business but hadn't previously done much to expand internationally. The online-learning giant stands out from many other companies, Coburn believes, because of its course delivery mechanisms, its student support structure, the breadth of its curriculum, and operational strength so great that it has call center staff around the world who speak more than thirty different languages. (The company's programs reach more than 130 countries.)

Carlyle is happy with the joint venture so far, but it is too early to tell whether it will be a success either financially or in terms of student learning outcomes, enrollment, and job placement, Coburn says. “We’ll answer that question in five years.” While rival Laureate remains by far the largest for-profit operator internationally, the company’s overall size is considerably smaller than Apollo’s. And there is apparently plenty of room to grow. “Cornering the education market is a little bit like cornering the health care market—it can’t be done,” Coburn says. “This sector is so large that it could support fifty or one hundred companies the size of Apollo worldwide.”

He sees Apollo’s particular strengths—notably the centralized operations it has perfected at the University of Phoenix—as positioning the company especially well for global expansion. “There is a lot of leverage and efficiency to be gained from having multinational operators.” Apollo’s course-delivery systems, from technology infrastructure (computer servers and software, call centers, and so on) to telephone advisers who walk students through the matriculation process and advise them about financial aid, are well established, scalable, and give the company distinct advantages over its competitors, Coburn maintains. “These technology platforms and the concept of scalability is something that’s foreign to many institutions.”

The goal of eventually going to scale, of course, is to serve the significant numbers of adult learners to whom mainstream universities have not traditionally catered. “Ultimately, is Apollo Global going to be competitive with Harvard and INSEAD [the Fontainebleau- and Singapore-based international business school] and other elite institutions around the world? No. But that’s not the objective,” Coburn says. “The objective is to focus on the fat section of the demographic curve where there is an unmet need, and where elite institutions don’t have the capacity, or it’s not within their strategic objectives to meet the needs of those students.”

PLUGGED-IN LEARNING

With the expansion of the global for-profits, those needs are being catered to with distinctly new forms of instruction. Hand in hand with the rise of for-profit education, technology is increasingly being used to reach students both within individual nations and across borders. Overall, the growth of online postsecondary education around the world has been enormous—it makes up some 15 percent of all higher education globally. That, says Perkinson, makes it “the fastest growing subsector in education today.”²⁰ While

some students take purely online classes, the most common arrangement is for students to combine some face-to-face classroom instruction with distance learning, an approach sometimes known as click-and-brick or “blended delivery.” As of 2004, in China alone there were about 2 million postsecondary distance-learning students, with about a million in Latin American nations and another million in Europe. Half the students enrolled in Australian universities from Hong Kong and Singapore are doing so through distance-learning programs, while about one-third of all postsecondary courses in Russia are being taken online.²¹ In the United States, the 400,000-student University of Phoenix is now the largest private university, enrolling about three-quarters of its students in distance-learning courses. Overall US enrollment in individual online courses jumped from under 1.9 million students in 2004 to 3.5 million in 2009. Even when the student count is limited to those enrolled in fully online programs, the numbers are substantial: the research and consulting firm Eduventures estimates that 2 million Americans studied wholly online in 2009, up from 1 million in 2004.²²

Most of this growth in Web-based education has taken place in the private sector. “For-profits are the logical purveyors of distance learning,” according to William Tierney, director of the University of Southern California’s Center for Higher Education Policy Analysis.²³ While elite institutions such as MIT and Yale have attracted considerable attention for their “open courseware” offerings that provide either their entire curriculum (MIT) or selected courses (Yale) free to students willing to study online, for-profit firms, unsurprisingly, have targeted paying customers seeking practical courses. And they have quickly done so at scale. In Mexico, for instance, Tecnológico de Monterrey, one of the largest private universities in Latin America, has thoroughly integrated online courses into its programming. About 83,000 of the university’s 101,000 students take one or more of their classes online through its affiliated Universidad Virtual.²⁴ And more than 5,000 of its students live outside of Mexico, taking a mixture of online and campus-based classes in other Latin American nations.

The possibilities that this kind of learning can open up—as well as some of the uncertainties—are apparent in the *Chronicle of Higher Education’s* portrait of a Whitney University venture in one small town in Colombia.²⁵ In Anapoima, two hours from Bogotá, construction of a five-foot satellite dish at a local school has opened up new vistas for residents such as Jhon Harold Peña, who works in the stockroom at a nearby country club, and

his wife, Marta Castiblanco, who cleans guest rooms there. The two want to improve their family's life—they have three children—but they have never before had the chance to study. Now Castiblanco, who wants to be a tour guide, is studying tourism. Pena, who would like to run his own auto-parts business, takes classes in financial management. Both study via weekly online classes beamed to their town from the campus of Grancolombiano Polytechnic in Bogotá, which runs the classes in Anapoima as well as at four other distance-learning sites (dozens more are in the works). Many of their classmates never knew how to use e-mail or surf the Web before taking the class.

Technology apart, the setting in which these students pursue their education is distinctly low-budget. In one business administration course, students sit in a ramshackle metal-roofed classroom and take notes as a lecture—delivered via satellite—is shown on a screen. A proctor e-mails their questions to Bogotá, where professors can sometimes respond right away. Another group of students studies in a small computer lab, while a third studies at picnic tables lit only by a few bulbs. Still, the ability to study close to home is a must for many students. "Bogotá is too far," says Jimmy Benavidas, who is studying for a business degree. "I couldn't afford to live there, plus I'd never see my family."

Whitney University says its online partnership with Grancolombiano is bringing higher education to disadvantaged students—often adults—who are typically unable to access traditional universities. The rector of Grancolombiano says he wanted "a new education model that didn't just serve the privileged few." Whitney, of course, wants to make money—in part by linking its virtual classes with university brand names that are known in the region. At Grancolombiano, the university develops the online curriculum, while Whitney International's end of the deal includes building a modest television studio, connecting the university to its Panama-based South American satellite network, setting up remote-learning sites, adapting existing course materials for online use, and training professors to lecture from the studio.

The adaptation process isn't always easy. At first "I was nervous as heck," says mathematics professor Nidia Mercedes James, who had never before lectured to a camera in a TV studio (students get a combination of live and prerecorded lessons). But she is now becoming used to the new medium and says she enjoys the online forums that let her interact daily

with some of her 250 students. Students studying long-distance, she says, are especially in need of feedback. “They aren’t here on campus, so they need the extra motivation,” she told the *Chronicle*.

While students certainly benefit from personal interaction, receiving such attention in a distance-learning environment is inevitably harder. Many are nonetheless willing to make the trade-off because of the enormous flexibility that online study provides. Around the world, the convenience of distance learning for working students is a major selling point for the international for-profits. In Australia, for instance, a division of Kaplan, Inc., known as Kaplan Professional offers specialized graduate-level degrees and certificates in applied finance—asset and liability management, equity analysis, sales and marketing for financial institutions, and the like. The company’s marketing materials play up the practical nature of the coursework, the personal guidance provided by a student adviser, and the flexible scheduling made possible by online learning options. Students can choose from a menu of “delivery modes”—distance learning, the more personal touch of face-to-face instruction, or a combination of the two.

A brochure for the courses, which were previously delivered by the Securities Institute of Australia and the Financial Services Institute of Australasia, touts the benefits for self-paced learners of “comprehensive course notes, downloadable lectures, electronic assignment submission and online access to experts and learning tools [that] enable you to study when and where you choose, anywhere in the world.” In the same vein, a first-person testimonial from Luke Bates, an analyst with the global accounting firm KPMG, backs up the point. “The course gave me the flexibility to be mobile without my studies being affected. I started in Sydney, spent six months in Perth and then finished in Adelaide,” he says. The pamphlet also quotes Bates praising e-learning tools that allowed him to build professional networks with fellow students, across Australia and overseas, “with whom I would otherwise have had no interaction.”

That Internet technology holds special appeal for for-profit educational firms is in many ways unsurprising, given the long tradition of private sector leadership in long-distance education. As far back as 1840, when the penny post was introduced in Britain, a correspondence course in shorthand was offered by Isaac Pitman. Correspondence courses became a veritable industry—the online learning of its time—offering much of the same flexibility as today’s distance-ed classes and also dominated by private

providers. For a time, public sector universities offered various forms of distance learning, but today the for-profit sector is again at the forefront of the trend. As global higher education experts Sir John Daniel, Asha Kanwar, and Stamenka Uvalic-Trumbic explain, online learning makes particular sense for the private sector because of the way its costs are structured: relatively high investment on the front end, offset by substantially lower marginal costs as more and more students are signed up.²⁶

“For-profit institutions’ access to capital markets makes them uniquely suited to make those investments,” they write. Moreover, they argue, for-profit firms offering distance learning also benefit from two concurrent trends—the availability of freely shared course material, known as open educational resources, together with online learning–management systems easily available to anyone. Still, they fret that cross-border distance-learning programs, given their market-driven nature, too often focus on business and information technology at the expense of liberal education. They also worry that programs designed in one nation to be offered to students in another “may incorporate no recognition of social, cultural, and ethnic differences.” Maybe so. But one clear lesson of the surge in demand for cross-border education, both online and in brick-and-mortar classrooms, is that students and their families are less interested in cultural sensitivity than in securing the opportunities—and often the practical skills—associated with universities and training programs that are sometimes to be found most easily at institutions based in other countries.

Indeed, the version of branch campuses established by for-profits underscores the point. A number of programs operated by for-profit universities could be viewed as counterparts to the satellite campuses, established by mainstream universities, that have swept the Middle East and Asia. The two have in common the quest for new revenues, particularly in Asian countries (although some elite Western universities insist that internationalization, rather than tuition dollars, is their primary motivation). One notable difference, however, is that the for-profits’ unusual hybrid credit-transfer arrangements. These permit students to begin part of a degree program at a for-profit institution in their home country, then travel abroad to earn a degree in another nation, often at a state university. In India, for instance, students can begin studying information technology at APTECH (the private firm with worldwide training centers), then after two years go on to complete a degree at the University of Sunderland in the United Kingdom or Southern Cross University in Australia.²⁷

The model bears similarities to the one offered by Kaplan in partnership with a consortium of nine British universities, as well as in institutions in Australia and Singapore, that allows students in, say, China and Vietnam to combine coursework from Kaplan and the institution that will grant their degree. This arrangement might involve one year at home followed by three overseas, or two years each at Kaplan and the foreign university. “If you look at a place like China, with a rising middle class that’s expanding, many families could afford to send their child to a really good-quality university program,” says Mark Harrad, Kaplan’s vice president for communications. “But they’re unable to gain access to that because there are so few spaces. And my understanding is that there’s a big gap between high-quality programs and lower-quality technical programs. So the opportunity to go to the University of Sheffield in the UK is a very good opportunity for them.”²⁸

In some places—Shanghai, for instance—students who wish to receive a degree from an overseas institution while staying in their home country can study for all four years at a campus either created by or operated by Kaplan, which essentially acts as a subcontractor for the foreign university. This doesn’t mean a watering down of standards, company officials insist. “There’s an extraordinary amount of quality assurance put into the delivery of these educational programs by the overseas universities,” says Gerald Rosberg, a Kaplan senior vice president who is the architect of many of the company’s global partnerships. “The partner universities want this done to their satisfaction, in terms of not only articulating the curriculum and creating the examinations students have to take, but often also moderating the exams—they actually read the students’ exams.” In certain cases, the degree-granting universities send their own faculty to teach courses to third- and fourth-year students at the overseas campus.²⁹

Even as if forges alliances with mainstream universities, blurring the distinction between for-profit and nonprofit, domestic and overseas campuses, the next frontier for Kaplan will be to establish its own full-fledged educational programs around the world. “We’re going to be delivering higher education programs that are entirely our own, that don’t come with degrees from conventional universities,” Rosberg says. The firm’s higher-ed division is unapologetic about the kind of education it provides, he adds, bristling at the notion that Kaplan offers simply a stripped-down, less expensive, and lower-quality version of what traditional institutions offer. “We view it as equal or better, with a clear focus on outcomes, lots of testing, and very creative use of technology. What we are very eager to do

is take all those capabilities that we believe have worked so successfully for students in the US and make them work for overseas students. They won't get big brand names, but they'll get a better educational experiences."

As profit-making universities expand worldwide, finding the right balance between a global and local presence can be a delicate matter. At least one major player—Laureate—makes a point of portraying itself not as a McDonald's-like multinational conglomerate, spreading a single product and brand identity around the world, but rather as a culturally aware parent company of a network of distinctive local institutions. "We never talk about Laureate International University. We talk about Laureate International Universities," says Joseph Duffey, senior vice president of Laureate and a former president of the University of Massachusetts system and of American University. He contrasted this approach with Apollo's, which he said focused first on creating a model in the United States, then on exporting the same model overseas.³⁰ For his part, Jeff Langenbach, a former investment banker and now president of Apollo global, disputes that characterization. It is true that the University of Phoenix was at one time marketing its core brand-name services to students around the world, he says. Now, however, with the formation of Apollo Global, the company's strategy is twofold: targeting the University of Phoenix's offerings at the US market, including servicemen and women on American military installations, while using local brands, not the Phoenix or Apollo name, for Apollo's overseas university acquisitions. These universities will, however, be linked globally by technology, and, unlike Laureate's mostly on-the-ground classroom instruction, they will be largely online, permitting shared use of back office functions among campuses.³¹

If companies such as Laureate and Phoenix are not cross-border purveyors of a particular curriculum and brand-name educational experience, in what sense can their operations truly be considered part of the globalization trend in higher education? Becker answers this question by first underlining the "huge competitive advantage" Laureate brings to its spreading empire by applying its business model to institutions around the world. "These individual universities are made strong by welding them into a global network," he says. Laureate's market-based "best practices" include everything from how classroom capacity and scheduling are handled to the use of technology to design and build campuses (the company built 9 of its 150 campuses from scratch and renovated many more of the institutions it

acquired).³² “These things are incredibly powerful, but students may never see them,” Becker says.

All this contrasts significantly with the international activities of non-profit universities, he stresses. “The mind-set of business is accountability, measurement, and analysis. And there’s not a lot of that in the international [nonprofit postsecondary] markets. A lot of that is in the private sector.” When Cornell opens a branch of its medical school in Qatar, he continues, “they’re not there to bring state-of-the-art analytics and a commercial sense of accountability, because that’s just not what traditional nonprofit institutions do—that would not be their strength. But what would be their strength is academic rigor, a tremendous reputation and brand awareness, and [awarding] a US degree.”

As for the growing global student mobility that has been such a striking feature of the nonprofit sector, Becker sees it as largely irrelevant to for-profits. “Some people think having a few wealthy people traveling around the world really creates globalization. What is that really going to do for students in Mexico and Shanghai who can’t afford to go overseas?” Becker says that the privately held company earns at most 35 to 40 percent of its revenues from Europe and the United States combined. By contrast, it earns about 60 percent of its revenues in Latin America and is investing heavily in Asia. In these emerging markets, overseas study is a pipe dream for the kinds of students Laureate targets, he says. While Laureate offers its students in Mexico the opportunity to study at its university in Madrid, and at the same tuition they pay at their home universities, few are able to take advantage of the company’s global network simply because travel and living costs are too high.

By contrast, Becker does see international synergies in the ability of Laureate-owned universities to share faculty know-how and curriculum. A professor at one of the company’s Mexico campuses might be trained by a professor from China or the United States or Spain, for instance. Similarly, there is cross-pollination between Laureate’s showcase programs and other universities. Students at one of the firm’s Mexican universities can study the same curriculum offered by the two elite hotel-management schools Laureate runs in Switzerland.

Still another way of understanding the participation of for-profit universities in globalization is as providers of human capital. “There is some global culture, but the primary focus of the privates is responding to the

localized postsecondary learning needs of the population,” says Gerald Heeger of Whitney International.³³ Private universities are less likely than elite nonprofits to train students to be global businesspeople, he says. But they are very likely to educate, say, accountants who must know how to help local businesses conform to increasingly standardized international accounting rules, “even if they never leave their hometown of Cordoba, Argentina.” Thus, for-profits train local human capital for local and regional businesses, which in turn take part in the global economy. 🌐

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