



Understanding OPMs: A Reality-Based Analysis

When thinking about the pros and cons of using an online program manager, institutions must be careful to determine how such services contribute toward their larger strategic plans, their missions, and the obligations they bear to students. A recent article raises some concerns about the potential danger of OPMs but appears based on a hypothetical (and sometimes erroneous) understanding of conditions within higher education and does little to show how outsourcing of services can be a creative response to fiscal constraints and market demands.

A new report by the Century Foundation, entitled “The Private Side of Public Higher Education” (Mattes 2017), examines trends in higher education

and the role of Online Program Managers (OPMs) in that space.¹

The article is both an informative look at the growing role of OPMs in non-profit higher education and a summation of the author’s fear regarding the potential damage OPMs pose to

quality and value in education, particularly in relation to publicly funded institutions. However sincerely held, the reservations expressed are formulated within a view of higher education that is abstract and theoretical in the extreme. As such, it is more an implicit call for greater governmental support for public colleges and universities than it is a balanced discussion of how institutions can leverage OPMs’ services while remaining true to their missions.

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The article provides a good summary of the OPM market in higher education. Mattes notes that the services provided by OPMs are used by institutions to help them adapt to and adopt new technologies. As such, OPMs can assist with expanding programs through providing expertise

and services not always present at specific institutions. As a cost-effective means of expanding institutional capacity in areas not deemed a “core” part of the mission, OPMs can bring efficiency and best practices to new educational initiatives.

But Mattes worries that the for-profit nature of OPMs poses a threat to academic integrity. The article draws on a survey of one hundred or so public institutions with contracts with various OPMs. A major area of concern for the author is the potential for an OPM relationship to erode academic quality.

Mattes notes, however, that there is variety in the details in contractual relationships between OPMs and institutions. About 40% of the agreements compensate the OPM on a fee for service basis. Another 40% do so on a revenue share basis, which jointly incentivizes both parties for program growth and success. The remainder of the contracts examined are a hybrid form of the two prior categories. Of particular concern for the author is the specter of the OPM engaging in the core academic functions of an institution as it relates to curriculum development. I will note on a personal level that I share that concern as well as support for academic probity by colleges and universities working with third parties. And institutional leadership in the academy feels the same way. It is interesting to note that fewer than one-eighth of the contracts surveyed contain instances of OPMs providing academic content.

Indeed, my experience with working both sides of the OPM/Institution relationship is that the need to maintain institutional academic control of program design and content is a primary concern of colleges and universities. And rightly so.

But Mattes does not appear to be comforted by widespread probity in the academy. She makes the theoretically reasonable argument that an OPMs financial motives (profit) are at odds with the motives of colleges and universities, particularly state-funded ones. Her argument appears to be complicated by a purely “policy” understanding of higher education and a lack of experience with the ways in which colleges and universities actually function in terms of academic governance.ⁱⁱ

My thirty years in higher education (with 25 years in the nonprofit realm) have demonstrated to me that all responsible institutions maintain a strong control over their curricula. If they do not, I would submit

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that the fault lies not in the service provider they select, but rather their own lack of institutional ethics.

Her argument continues with concerns about the possibility of an OPM advocating for a downward spiral in expense and quality to bolster profits. She asserts some classic legal and economic theory to support her claim, and also asserts that there are no protections to mitigate against this creeping erosion in academic quality fueled by the presence of OPMs.

Mattes is objective enough to note that OPMs have expertise and experience that can lead to efficiencies in services and products that lower costs for consumers. So far so good. But she worries about the profit motives of OPMs and a tendency to cut costs, degrade quality and swell program enrollments with unqualified candidates, leading to a real decline in educational quality. She cites the concept of “contract failure” in non-profits first proposed by Henry Hansmann in 1980.ⁱⁱⁱ Mattes asserts that since it is difficult to evaluate the quality of the product in higher education, it is therefore possible to cut costs and deliver inferior services without consumers being aware of what is taking place.

Note what is being argued here: it is difficult to evaluate the quality of higher education, but certainly anything efficient and lower-cost must be academically suspect. It is as if the pioneering work done by Clay Christensen on disruptive innovation in industries including higher education^{iv} had never taken place. The argument is vaguely elitist at its core, positing that the traditionalist model of higher education can guarantee quality (although we can't quite specify what that is). It's an argument made by the Harvard's of the world (where, interestingly enough, Mattes is currently enrolled).

My argument here is not the insistence on a traditionalist model for higher education in which institutions are subsidized by large endowments or state funding, but rather the assertion that it's the only model. And despite Mattes' assertion that institutions (particularly publicly funded ones) should be insulated from market considerations, it does not reflect the current conditions in higher education, where both demographic and financial considerations are real and pressing:

- **Except for the most elite institutions, it's an increasingly non-traditional environment.**
 - What were once considered "non-traditional" students make up almost three quarters of students.^v
 - There is a shrinking pool of traditional students, and competition for this limited population will make them expensive to acquire.
 - Enrollments in higher education are generally flat, with the only real growth occurring in online programs.
- **Most institutions are organized on an aspirational pattern derived from elite colleges and universities.**
 - The delivery model of scholar-teachers engaged in formational education is often slow and expensive, requiring substantial support from an endowment.
 - Traditional approaches to higher education are like guilds—they limit access to small groups and seek to preserve their monopoly on services.
 - They don't always create relevant knowledge or skills for careers.

- As a result, they are ill-suited to a consumer mentality and a competitive marketplace.
- **These institutions operate on an unsustainable model.**
 - Elite models are funded by endowments but most institutions are underendowed and tuition dependent.
 - Most colleges and universities have only modest endowments or none at all.
 - As of fiscal year 2012, 53% of four- and two-year private nonprofit colleges and universities had endowments of less than \$10 million.
 - The median size of an endowment for private institutions is \$7.9m.^{vi}
 - 20 institutions account for 46% of ALL endowment monies in higher education.^{vii}
 - The availability of Title IV funds forms the financial backbone of the finances of many schools, but does not match the real costs of an education.
 - Even for state-supported institutions, financial support is eroding and has been for some time.
 - States have been reducing their support for publicly funded institutions at a steady rate for decades, with no indication that this trend will be reversed.

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Viewed from this perspective, colleges and universities are attempting to simultaneously address issues with new approaches to educational design and delivery while avoiding any wholesale redesign of the educational enterprise. As such, it's a form of what Christensen calls "sustaining innovation" that adds new programs and services on to existing ones. Thus, OPMs can be understood as symptomatic of the higher education market and the structural challenges facing traditional colleges and universities. The use of OPMs is an attempt to fix a problem, not create one.

But what about Mattes' warnings about the potential negative effects of OPM partnerships? She asserts there are no protections to mitigate against this, arguing that revenue share relationships encourage increasing enrollments without regard to student qualification or success. In the first place, as noted above, any reputable institution will ensure that it retains control over core academic matters. In addition, federal and state agencies, regional and disciplinary accreditors are focused on institutional success in retention, degree completion, and, in some specific cases, licensure results. A college or university that takes a short-sighted approach to growing enrollments by cutting quality, as well as student qualification for admission and persistence, will ultimately experience issues with student success that could lead to significant problems (and even Mattes notes that poor programs could ultimately impact on institutional reputation).

In addition, since OPMs typically are involved with programs that feature high market demand and linkage to specific career pathways, a critical component to program success is the degree to which it graduates competent and qualified students. From a purely business perspective, an OPM that waters down admissions requirements will drive up its own marketing and recruitment costs (due to increased student attrition), and programs that don't have strong student learning outcomes will erode an institution's ability to attract qualified students (which also drives up student acquisition costs). Given that many OPMs structure long-term partnerships, it would appear that an erosion of quality is not in the best interest of both sides of a partnership.

The main objection that Mattes has with OPMs is ideological: the ultimate goal of state supported schools is not financial, whereas OPMs are focused on maximizing return. I would agree that the goal of institutions is altruistic, but the operational dynamic that supports this goal is, in fact, tied to finance. Even nonprofits pay their workers.

The author further asserts that OPMs represent the outsourcing of the core educational mission of public institutions of higher education, threatening the consumer-minded focus that results from the public control of schools. Here again, a theoretical position that cannot be objected to.

However, I have already noted that any reputable organization has the ability to negotiate contracts with service providers that avoids these pitfalls (and has an ethical obligation to do so). But to argue that many higher education institutions are models of a consumer-minded focus is, at best, misinformed (or at least is shaped by a focus on the small minority of elite institutions that exist today). The public outcry over the

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accelerating costs of a college education, the erosion of state and federal subsidies to minimize actual cost, and the real paucity of endowment resources for most institutions, suggest that more cost-effective ways of educating students are needed in higher education today.

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And how interesting that the research conducted here, in the best tradition of old-school education, places little or no emphasis on a study of student outcomes. Mattes would benefit from some time actually working in (as opposed to opining about) higher education.

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ⁱ Mattes, Margaret. (2017). *The Private Side of Public Higher Education*
New York: NY: The Century Foundation

Retrieved from <https://tcf.org/content/report/private-side-public-higher-education/>

ⁱⁱ A suspicion supported by an examination of her academic experience and work credentials. See <https://www.linkedin.com/in/margaret-mattes-87a095136/>

ⁱⁱⁱ Hansmann, Henry. (1980). *The Role of Nonprofit Enterprise*. New Haven: The Yale Law Journal. Vol.89, No.5 (April 1980), pp.835-901.

^{iv} Christensen, Clayton M. and Henry J. Eyring. (2011). *The Innovative University: Changing Higher Education from the Inside Out*. Hoboken, NJ: Jossey-Bass.

^v Choy, Suan. (2002). *Findings from the Condition of Education 2003: Nontraditional Undergraduates*. Washington D.C.: National Center for Educational Statistics.

<http://nces.ed.gov.programs/coe/2002/analyses/nontraditional/index.asp>

See also Center for Law and Social Policy. (2011). *Yesterdays' Non-traditional Student is Today's Traditional Student*. Washington DC: CLASP. Retrieved from

<http://www.clasp.org/admin/site/publications/files/Nontraditional-Students-Facts-2011.pdf>

^{vi} American Council on Education. 2014. *Understanding College and University Endowments*. Washington: American Council on Education. Retrieved from <https://www.acenet.edu/news-room/Documents/Understanding-Endowments-White-Paper.pdf>

^{vii} National Center of Education Statistics. <https://nces.ed.gov/fastfacts/display.asp?id=73>