

Unaccredited Providers Are Changing the Shape of the Higher Education Industry

Burck Smith | Chief Executive Officer, StraighterLine (https://evollution.com/author/burck-smith/)

f (http://www.facebook.com/sharer.php?u=https://evollution.com/managing-institution/higher_ed_business/unaccredited-providers-are-changing-the-shape-of-the-higher-education-industry/)

t (http://twitter.com/share?url=https://evollution.com/managing-institution/higher_ed_business/unaccredited-providers-are-changing-the-shape-of-the-higher-education-industry/)

in (https://www.linkedin.com/shareArticle?mini=true&url=https://evollution.com/managing-institution/higher_ed_business/unaccredited-providers-are-changing-the-shape-of-the-higher-education-industry/)

✉ ([mailto:?subject=Unaccredited Providers Are Changing the Shape of the Higher Education Industry&body=Check](mailto:?subject=Unaccredited Providers Are Changing the Shape of the Higher Education Industry&body=Check%20out%20this%20article%20on%20the%20evolution%20of%20higher%20education%20industry))

g+ (https://plus.google.com/share?url=https://evollution.com/managing-institution/higher_ed_business/unaccredited-providers-are-changing-the-shape-of-the-higher-education-industry/)

st (http://www.stumbleupon.com/submit?url=https://evollution.com/managing-institution/higher_ed_business/unaccredited-providers-are-changing-the-shape-of-the-higher-education-industry/)



(<https://evollution.com/wp-content/uploads/2016/01/sized-Smith-Jan-5-2016.jpg>)

Unaccredited providers are making their case for student enrollments and dollars, and have fundamentally changed the shape of the higher education ecosystem as institutions and the federal government adapt to their popularity and growth.

Today's higher education marketplace looks remarkably different than it did even 10 years ago. While online and distance programming has long been available, the growth of unaccredited education providers and their popularity among prospective students is changing the shape of the postsecondary ecosystem in the United States. In this interview, Burck Smith, whose StraighterLine helped to pioneer the growth of unaccredited high-quality programming, reflects on the competitive landscape for these providers and shares his thoughts on how the marketplace will adapt to their growth and increasing market share.

The EvoLLLution (Evo): Why has demand for non-accredited postsecondary education grown so significantly in recent years?

Burck Smith (BS): The biggest driver behind the demand for non-accredited postsecondary programming is the increasing use of online as an educational option for students.

Online, there's no differentiation between a college and a non-college. Put another way, you don't have to be a college to offer an online college-equivalent course. The unaccredited options tend to be substantially cheaper. They also tend to be more flexible; you can start whenever you want and you can organize your learning in different ways. Students have lots of choices.

Greater flexibility and lower prices is driving students' migration to, and use of, unaccredited pathways.

Evo: What are some of the most significant competitive advantages non-accredited education providers have over larger colleges and universities?

BS: The main advantage for the providers of unaccredited programming is that they can offer their courses without requiring those courses to subsidize the physical infrastructure of a campus or other unrelated programs. A typical physical campus is generating profit from general education courses and using that to subsidize higher-level courses with lower attendance. They are generating profit from adult programs and using that to subsidize undergrad programs. That is not the case for non-accredited providers; they're simply pricing their courses much closer to the true cost of delivery.

Second, they can experiment with different levels of granularity. To be accredited, a college must offer an entire degree program that runs a certain length of time and requires a certain number of credits. Unaccredited providers don't have to restrict themselves to that definition. They can offer shorter programs, longer programs or something that can be started and stopped, which gives providers the ability to think differently about what a credential might mean or what a program might mean.

Lastly, they are not tied to financial aid as the revenue model. Unaccredited providers can think differently on how to charge. For instance, StraighterLine charges on a subscription basis, which is very useful for adult students who are taking their coursework when they can. They might work a little bit and take some time off, then come back and work a little bit more before taking some time off again. That approach is great and makes perfect sense for them, and the subscription model fits really well for that kind of student. However, if a student did that at a college it would be counted as a dropout.

To sum up, unaccredited providers don't have to subsidize other parts of a college, they can be more flexible in their programming delivery and they can be more innovative in how they charge students.

Evo: On the flip side, what are some of the advantages that larger higher education institutions have over non-accredited providers?

BS: There are three important advantages higher education institutions have over non-accredited providers.

First, through financial aid and other taxpayer subsidies, accredited higher education is greatly supported by outside funding. It's easy to forget just how varied and large the subsidization of accredited higher education is. There are state payments to public colleges, subsidized interest for students, direct grants to students, non-profit tax status and other grant programs where money flows from state and federal governments to colleges. There's really an enormous amount of money almost exclusively to accredited colleges.

The second major advantage is consumer recognition. Since World War II, accreditation has been the thing that consumers shop for when looking for higher education. For students going back to college, one of the questions they ask is, "Are you accredited?" If yes, that college remains on the shortlist. If no, then that often disqualifies an institution. Having said that, students are becoming less reliant on accreditation as an indicator of quality as the popularity of unaccredited online options grows.

Finally, accredited colleges and universities have a great deal of political power. These institutions generate jobs in state and federal political districts. As such, accredited colleges hold a lot of political power when it comes to making decisions about what the higher education infrastructure should look like.

Evo: Looking to the future, what role do you think non-accredited providers will play in the higher education ecosystem?

BS: Non-accredited higher education is certainly going to grow and, in fact, you already see it happening.

Online enrollment in accredited colleges is flat nationwide but enrollment in unaccredited online programs is exploding. It probably won't be too long before the unaccredited pathways overtake the accredited pathways when it comes to the volume of online learning. Already the federal department of education is creating experiments where unaccredited providers partner with colleges to enable financial aid to flow to the new providers. Over time, you'll have unaccredited providers who choose to stay that way and accredited providers who stay that way, but you'll also have some mash ups between the two as the market for online learning matures.

Accreditation will evolve to better measure outcomes generated by the combination of accredited colleges and unaccredited providers. I think accreditation will start to reflect the indicators of consumer satisfaction in non-education markets. In other markets, these principles boil down to three questions:

1. What is the provider promising?
2. What has the provider delivered?
3. Is pricing transparent?

Evo: How must accreditation itself—or even our focus on accreditation—change to better suit the realities of today's higher education market?

BS: This change is already starting to happen. I'm a believer that public policy follows—rather than leads—in heavily regulated markets. StraighterLine has really pioneered the practices that are now being incorporated into traditional higher education. For instance, the structure underlying most competency based education – self-paced courses with strong student support functions – is something we started doing in 2008. We required online proctoring in 2011, now it's becoming mainstream for colleges. Subscription pricing is now being allowed for accredited CBES programs. We started using ACE Credit as a way to validate the quality of our general education courses. Now there are half a dozen companies doing the same thing.

When we started providing unaccredited education programming it was very controversial. It has taken almost seven years now for that to be validated to the point that the Department of Education is now considering creating financial aid pathways to providers like us.

Getting there required us to build up enough trust in our courses, in students, colleges and third-party reviewers. It also required us to build up enough enrollment and credit transfer where it becomes undeniable that the courses we're offering are equivalent to the courses colleges are offering, but ours are a much better price point. It's important to note that the price point isn't better because we're cutting corners, it's better because we're not generating the same profit margins on our online general education courses that colleges do.

Now, policymakers and regulators are realizing that it is bad policy to only subsidize the most expensive courses when equivalent, lower price substitutes are available. However, it is a cautious evolution, and rightly so.

Evo: Is there anything you would like to add about the role unaccredited providers are going to play in shaping the higher education ecosystem over the coming years?

BS: Two of the biggest problems in higher education are cost and student success. I do think the inclusion of alternative providers in the financial aid pathways is going to make a significant difference on both of those problems.

StraighterLine not only lowers prices, but it lowers the risk that students incur when starting college. Rather than enrolling in an expensive program to students and taxpayers and then finding out if you can be successful, StraighterLine students start with a free trial, then a subscription. By opting in at different points in the enrollment process, students dramatically reduce their risk of college. Further, these students are then much more likely to be successful when they do transfer their credit from StraighterLine. By changing the way we structure the idea of higher education, we can start to solve these problems that have previously been unsolvable. That's pretty exciting.

I often think the other piece is there's a growing diversity in the postsecondary market. We have a lot of colleges and many of them are more or less the same—they look a lot like each other. In future, we're going to have real diversity in terms of available programs; programs are going to be offered over three years instead of all on a campus, or one year on-campus and two years on-location in a job where you're taking distance education courses. Who knows what will be available. There is already lots and lots of variety for students to choose from, so it's all very good for students going forward.

I'm pretty optimistic on the education options available to students in the next decade.

Author Perspective: Business (<https://evollution.com/tag/business/>)

You Might Also Like