

# Online Education – No Revolution?

Thirty years from now the big University campuses will be relicts. Universities won't survive. It is as large a change as when we first got the printed book.

—Peter Drucker<sup>1</sup>

## Introduction<sup>2</sup>

Almost 25 years since Peter Drucker had made his famous prediction, the digital disruption of countless industries was in full swing. Yet, the education industry had been a difficult nut to crack for technology companies and Silicon Valley investors – despite multiple tries. This was ironic, as lectures were classic information goods, and the process of acquiring knowledge seemed perfectly virtualizable. But on the eerily quiet campus of Ivey University, in the midst of the COVID-19 pandemic, it sounded like a warning echoing from the past for Federico Pigni. The dean of the School of Information Management recalled the quote while trying to organize lectures on the main campus, amidst ever changing governmental restrictions, students' demands, and professors' struggles in adapting to online teaching at the main campus and the many affiliated programs around the world. Could this pandemic be the “acceleration event” that would finally prove Drucker right?

The seemingly relentless announcements of yet another education venture powered by the Internet and the digital innovations that leveraged it, were making administrators like Dean Pigni question themselves about the future of the institution and programs they had been entrusted to lead. Just yesterday, Techcrunch published a story titled: “Professor Scott Galloway just raised \$30 million for an online school that upskills managers fast.”<sup>3</sup> Galloway, an adjunct professor at NYU Stern School of Business, shot to prominence for a viral email directed to a student with the bold exhortation: “get your s@#! together.”<sup>4</sup> Prof. Galloway was a frequent commentator on branding and marketing strategy who

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<sup>1</sup> Lenzner, R., and Johnson, S. S. 1997. “Seeing things as they really are.” Available 9/11/2015 at [http://www.forbes.com/forbes/1997/0310/5905122a\\_print.html](http://www.forbes.com/forbes/1997/0310/5905122a_print.html).

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<sup>2</sup> This is a fictitious case developed with the exclusive intent of supporting class discussion.

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<sup>3</sup> Loizos, C. (2021, March 11). Professor Scott Galloway just raised \$30 million for an online school that upskills managers fast. *TechCrunch*. <https://social.techcrunch.com/2021/03/11/professor-scott-galloway-just-raised-30-million-for-an-online-school-that-upskills-managers-fast/>

<sup>4</sup> Daulerio, A. J. (2010, February 22). *NYU Business School Professor Has Mastered The Art Of Email Flaming*. Deadspin. <https://deadspin.com/nyu-business-school-professor-has-mastered-the-art-of-e-5477230>

claimed to have successfully enrolled a number of high profile academics to his venture, Section 4, “dedicated to making an elite business education more affordable and accessible”.<sup>5</sup> And a minute ago a colleague forwarded the announcement that Google was expanding its Professional Certificate Training program, claiming the following: No experience necessary; Learn at your own pace; Stand out to employers; A path to in-demand jobs.<sup>6</sup> With paths to jobs like IT support, data analytics, project management and UX design, Google was encroaching right into Ivey University’s territory.

Whereas these new online players seemed to have had minimal incremental effect on prestigious research universities such as Ivey, the future appeared far more uncertain for “middle-tier” institutions that had suffered mightily from the forced move to online education the COVID-19 crisis sprung on them out of nowhere.<sup>7</sup> Enrollment in undergraduate programs at big name colleges was more selective than ever, due to rising demand. Campuses were teeming with construction workers developing new buildings, adding to existing ones, remodeling teaching and office space, equipping ever more sophisticated labs. Ivey had just finished building a multimillion-dollar robotic experience lab where students could come to experiment new digital technologies in perfectly recreated environments including a sector of downtown, a supermarket, and a connected shop. Then the pandemic hit.

Executive education programs had been a different story, with numbers declining steadily over the last decade. Some blamed growing competition and a strong job market, but it was hard to ignore the challenge from established and new online learning outfits like Coursera, Udemy and a whole host of non-degree executive education<sup>8</sup>. However, as Dean Pigni pondered the future, he recalled a passage from an article in *The Economist* that he had seen a few years before. The memory brought back some of Dean Pigni’s own uneasiness:

The innate conservatism of the academic profession does not help. The modern university was born in a very different world from the current one, a world where

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<sup>5</sup> <https://www.section4.com/>

<sup>6</sup> <https://grow.google/certificates/>

<sup>7</sup> Hubler, S. (2020, October 26). Colleges Slash Budgets in the Pandemic, With ‘Nothing Off-Limits.’ *The New York Times*. <https://www.nytimes.com/2020/10/26/us/colleges-coronavirus-budget-cuts.html> ; Nietzel, M. T. (2020, October 7). *Liberal Arts Colleges Face the Full Force Of The Pandemic*. Forbes. <https://www.forbes.com/sites/michaelt Nietzel/2020/10/07/liberal-arts-colleges-face-the-full-force-of-the-pandemic/>

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<sup>8</sup> *Financial Times*. 2015, May 17. “New market entrants create competition for business schools.” Available 9/11/2015 at <http://on.ft.com/1JrEyeH>.

only a tiny minority of the population went into higher education, yet many academics have been reluctant to make any allowances for massification.<sup>9</sup>

Was everyone missing the forest for the trees? Was the Internet finally a mature enough technology to sustain the disruptive innovation that would finally digitally transform education as it had done with the news and entertainment industries? Was the pandemic crisis that made Zoom a household name worth over \$100 billion a passing storm, or a secular change of behaviors and expectations that would soon blindside slow-to-react incumbents?

## Education and Research at Ivey

Like its peers, Ivey University had a complex mission and a large community of stakeholders, ranging from students and faculty to alumni and the local and global community. At the highest level of analysis, Ivey performed two main activities: the creation of new knowledge (i.e., research) and the dissemination of knowledge (i.e., education).

As a prestigious research institution, Ivey spent a considerable amount of resources supporting the development of new knowledge by hiring some of the brightest young faculty members and accomplished researchers it could find. Rating always at the top of all research rankings, Ivey University boasted three main world-class research centers.

While the research mission was pursued in experimental labs and offices throughout campus, the most evident manifestation of Ivey's contribution to society was its teaching mission. A large school like the School of Information Management at Ivey University had truly global reach.

Its largest population was about 1,200 undergraduate students. The school also trained master's students, who left the workforce for one or two years (a substantial opportunity cost on top of the direct costs of going back to school) to gain an advanced degree and the skills to accelerate their careers. Ivey had a medium size, but very selective, master's program with about 100 students enrolled. Finally, the school educated the next generation of faculty and researchers by way of its PhD program.

A very recognized brand in the business world, Ivey also offered a number of executive education and professional education programs. These were typically

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9 *The Economist*. 2014, June 28. "The digital degree." Available 09/11/2015 at <http://www.economist.com/news/briefing/21605899-staid-higher-education-business-about-experience-welcome-earthquake-digital>.

highly condensed courses, held on Ivey's own campus or satellite locations, designed to serve the needs of corporations seeking to update the skills of their workforce or to offer working students a chance to access the wealth of knowledge that the school's faculty had to offer without having to resign their job.

## Global Expansions

Because of its brand recognition around the world, the School of Information Management and a number of other schools at Ivey had been focused on global expansion through partnerships and the opening of satellite campuses. The school had more than 500 international partners that enable the school to develop new, complementary teaching methods and content, offering students the opportunity to create and participate in enriching transcontinental educational experiences. Partners were mainly located in Asia, Africa and Europe and the school was currently evaluating whether to enter the South American market with a new campus.

The reason for global expansion was simple: With the skyrocketing demand for high-quality education in emerging markets around the globe, there was great opportunity to extend the Ivey brand. Expansion was not without challenges, with revenue models being at times challenged and a myriad of logistics and quality assurance hurdles to be overcome. However, with almost every other recognized education brand entering the new markets, a wait-and-see attitude could be extremely risky.

## Online Players: A Real Threat or a Nuisance?

Since Peter Drucker's prediction, there had been a significant amount of development in online educational offerings. University of Phoenix, the largest for-profit institution in the USA, had about 100,000 enrolled students now, with a peak of 470,000 in 2010. While quality concerns lingered, not just on prestigious university campuses, online universities seemed to be gaining traction.

Perhaps even more interesting, and threatening, were open-source content creation and delivery entities. The best example was offered by the for-profit education platform Coursera—the brainchild of Daphne Koller and Andrew Ng, who offered their computer science courses online, drawing the attention of more than 100,000 students. Coursera, now backed by more than \$400 million in funding and readying its IPO had come a long way, making 3,100 courses available to interested students from all over the world and keeping a running count of more than 50 million learners, 2 million course completions, 136 university and 50 industry partners. Coursera was focused on academic courses

in topics ranging from math to science, to history to the humanities, and it was originally geared to college students. As Dr. Koller put it, “Online education is a more effective way to teach basic facts and skills in part because students can learn at their own pace. Taking classes online gives people the opportunity to pause and reflect and grapple with the material.”<sup>10</sup> Another innovator, Lambda School, had pioneered the a revenue model that challenged tradition head on. The school focused on coding skills, and promised: “Train remotely to become a web developer or a data scientist and pay no tuition until you’re hired.”<sup>11</sup> With the cost of education skyrocketing, particularly in North America, and the increasing focus on tangible skills, rather than degrees for technical hires, the Lambda approach could be very disruptive for established players.

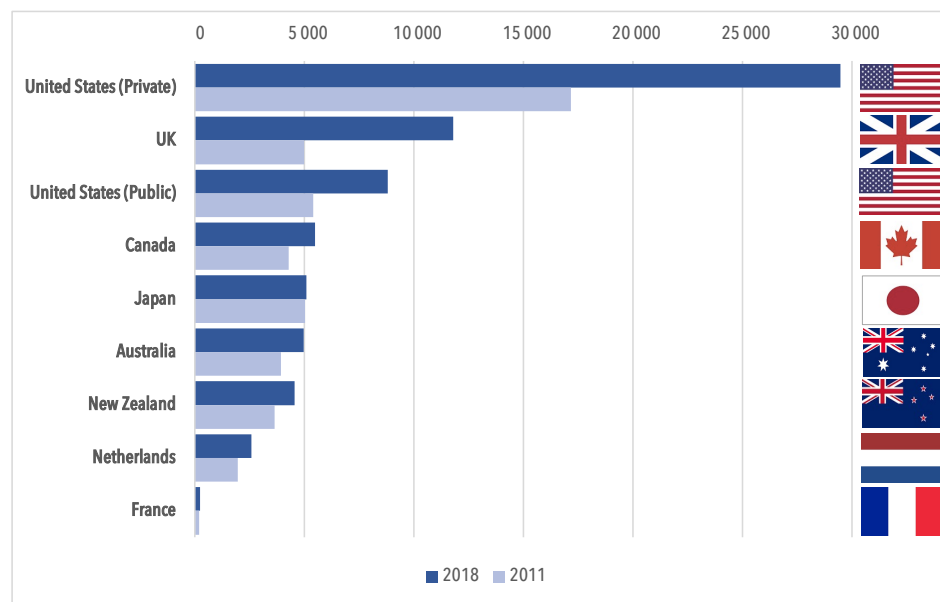


Figure 1 Bachelor's tuition fees compared (Source OECD's Education at a Glance 2013, 2018)  
 Note: Estimated annual average tuition fees In equivalent USD converted using Purchasing power parities

Not all online educational offerings were by upstarts. Indeed, traditional universities had their own offerings. Ivey itself had launched its own online education effort only six years ago, where distance learning was a necessity for students. As an example, Ivey's online program for top athletes was explicitly designed to allow students to attend classes even during their intense training and in the months preceding the Olympic Games.

<sup>10</sup> Wolfe, A. 2015. “Daphne Koller on the Future of Online Education,” *Wall Street Journal*. Available 9/11/2015 at <http://www.wsj.com/articles/daphne-koller-on-the-future-of-online-education-1433532321>.

<sup>11</sup> <https://lambdaschool.com/>

## The Future

As Dr. Pigni watched the snow drop a fresh dusting of white powder on the city skyline and the nearby mountains, he pondered some of the words of the article he read:

Other industries next in line for disruption like education and health care would be wise to pay attention. Most of what they do depends on the control of information that will soon no longer be scarce. Education reformers have long predicted a world where top professors spread their knowledge across the globe through electronic tools. But the knowledge students need is not only located in those few professors' minds. Once we digitize not just the distribution of knowledge but the production of it, the existing university system loses its *raison d'être*. Why would people come to a single physical location at higher and higher costs when the knowledge it houses is no longer scarce?<sup>12</sup>

and the words of Dr. Koller in a recent WSJ article seemed to echo Drucker's words:

"School experience will be like turning the tap—and great education comes out for anybody. We'll have data from hundreds of thousands, millions of people at a level that's unprecedented. I think we're at the cusp of a revolution of treating human learning as science."<sup>13</sup>

Would this really happen? And how would it affect a top university like Ivey? As the dean of the School of Information Management, Dean Pigni was not only entrusted with the future of the school he led, but he also felt a responsibility to help the university community at large thrive in the network economy. Could Ivey miss the wave of the future? "Not on my watch!" Dean Pigni told himself while getting ready for the first of many of the day's meetings.

## Discussion Questions

1. Do you agree with Peter Drucker's opening quote?
2. Is the Internet fostering disruptive innovation in the education industry in general? And for Ivey's School of Information Management in particular?

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<sup>12</sup> McQuivey, J. 2011. "Why the end of scarcity will change the economics of everything." Available 5/5/2011 at [http://mashable.com/2011/04/28/scarcity-economics/?utm\\_source=feedburner&utm\\_medium=feed&utm\\_campaign=Feed%3A+Mashable+%28Mashable%29&utm\\_content=Google+Feedfetcher](http://mashable.com/2011/04/28/scarcity-economics/?utm_source=feedburner&utm_medium=feed&utm_campaign=Feed%3A+Mashable+%28Mashable%29&utm_content=Google+Feedfetcher).

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<sup>13</sup> Wolfe, A. 2015.

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