Lessons for Higher Education from the Dot Coms

Can higher education learn from the Internet successes and failures of the corporate sector?

by **Chris Brezil**

Anyone with even a passing interest in Wall Street has heard it said that the Internet stock party couldn't last forever. Despite the warnings, share prices for companies with small revenues and deep losses continually climbed into the stratosphere on hopes that Web-enabled technology would eventually translate into huge profits. Only recently, with word that many of these companies are nearly out of cash and earnings are nowhere in sight, have share prices begun to fall dramatically as investors realize that many of these businesses might not survive long enough to ever turn a profit. Even Forrester Research, one of the most bullish prognosticators of the "new economy," has predicted that most of the current e-tailers will not be with us by the end of next year.

So many investment analysts can now point their fingers and say, "I told you so." Yet organizations around the globe are embracing the Internet now more than ever as an opportunity to reach customers and employees better, reduce costs, and offer enhanced services. Many corporate executives have gone on record as being afraid of the impact that the dot coms and the new technologies would have on their businesses. Now these same companies are leveraging their experience and skills to incor-

porate this new technology and accomplish something a majority of dot coms have found elusive—to improve their bottom line.

Why discuss stock market gyrations and dot-com failures in relation to higher education? Colleges and universities are faced with many of the same challenges brought about by the Internet

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that corporate boardrooms are now facing. Students and parents are becoming more demanding customers, wanting better and improved online services offered by educational institutions. Additionally, competition from venture capital-backed education startups as well as large educational institutions with their own online ambitions is quickly becoming a reality that many universities can't ignore. As this educational New

World order beckons, it is an opportune time to look at some of the problems of the dot coms and to learn from them.

1. Have a business plan that makes sense.

Many e-tailers knew they would lose money on every transaction, figuring they would make it up in volume. But seriously, a solid plan is a key component to any successful Internet endeavor. Call it what you want—project plan, proposal, strategy document, even an executive meeting—but the principles present in a quality business plan must be addressed. A good business plan outlines your approach to an opportunity based upon your understanding and strengths within that particular marketplace. It addresses the known obstacles you will face and, when relevant, the competition in the field. It also clearly describes the products and services you will introduce to make the most of the opportunity at hand.

Do you really need to write a business plan before moving forward? Not necessarily. Many smaller scale initiatives don't require this level of planning and even some larger undertakings won't require the complete treatment that a typical business plan presents. But regardless of the size of your ambitions, reviewing the soundness of your approach and the goals you wish to

achieve will go a long way to ensuring the success of your venture.

2. Focus on your expertise.

Dot-com executives talk about their vision, adaptability, and speed. Rarely do you hear mention of long-term goals, commitment, value, or experience. The online world does move quickly and change is one of its primary components. The Internet is turning the world on its head and will continue to do so in ways that nobody has yet recognized. Yet the business fundamentals that successfully drive enterprises on a daily basis have not changed. Corporate anarchy has not fallen upon us.

Organizations need to be flexible in order to adapt to the quickly changing technology environment. However, merely planting a stake and proclaiming a piece of the Internet landscape is not strategic. Focusing on an institution's long-term goals and incorporating these into your online strategy will prove more successful than jumping into the fray blindfolded. Staying within an institution's realm of expertise is also advisable. The local technical college probably shouldn't look to offer its first BA in English as an online program.

A logical extension of this is that old line of business reasoning: "Know your customer." Established organizations have an inherent advantage over every startup in that they have an established customer base. The Internet offers an opportunity to expand your reach and address new markets quickly. Still, by offering new functionality and services to your present customer base—your current students and alumni—you can build a platform upon which you will be better able to expand into new opportunities when you are ready.

3. Don't underestimate the costs.

The great promise of Internet commerce was the cost savings, brought about by not holding inventory, reducing overhead expense, and streamlining business processes. Today the financial statements of languishing dot coms demonstrate that this promise has not been fulfilled. Even excluding the frivolous Super Bowl ads and the extravagant "branding" campaigns, expenses have piled up at Internet companies faster than most CFOs ever imagined.

Large Web servers and pricey software are only a small cost in the development of a large-scale Web site. In fact, industry analysts have estimated that hardware and software expenses account for only 20 percent of Internet development costs, with the remaining 80 percent attributable to labor costs.

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And these costs are rising as the information technology labor market tightens. Consultants, often brought in to jump-start a project, can also quickly become a large line item in a Web development budget.

Cutting corners in the wrong places can have both immediate and long-term negative consequences for your initiatives. Making smart choices can increase your productivity, help keep costs under control, and have a lasting impact across your entire information technology department. Make use of your current staff as much as possible. Make certain that you manage your consultants and not the other way around. Many projects can also be implemented today using very high-quality software that is free due to the large community of open-source software developers.

4. It's not just about price.

We've seen the Web sites that hawk their wares at or below their own cost in an effort to generate customers: Build your base, attract those eyeballs—worry about the long-term later on. Yet even in the topsy-turvy world of Web retail, a company such as Amazon.com has built its reputation not on having the absolute lowest prices, but by offering the most complete consumer package including reasonable prices, a top shopping experience, and quality customer service. These "Old World" business premises have led to the building of a company that many feel will be left standing when its competitors are dust.

For many students today, educational choice is driven by price. Still, it is rarely the only factor in the decision. Quality and reputation are also major considerations in choosing a school. If delivering education to the corporate market is one of your goals, these two factors will be even more prominent in your customers' decision-making process.

Colleges face a difficult challenge in discovering the most effective way to deliver education across this new medium. Those that do it well, with a level of quality that is expected in classes at top academic institutions, will be able to charge appropriately for their services.

5. Your people are your finest assets.

Institutions of higher learning have long been aware of the importance of the people who work for them, and the information age is bringing this realization to new heights. Knowledge is

key in the business of teaching and learning, and that knowledge resides with an institution's personnel. As management specialist Peter Drucker has pointed out, "How well an individual, an organization, an industry, a country, does in acquiring and applying knowledge will become the key competitive factor."[1]

Many information technology workers in higher education have built rugged systems using mainframes and older programming languages such as COBOL. If it ain't broke, don't fix it, right? Well, this perhaps makes sense on the widget assembly line, but today's environment demands new skills and different ways of approaching complicated technical tasks. This does not mean the current desks should be emptied and the seats filled by 22-year-old bodies straight out of school. Sure, some new blood can enhance an organization, but as many dot coms are now seeing, there is no replacement for the experience, commitment, and common sense that long-term employees possess. With new training and the chance to work with these exciting technologies, current personnel will develop better designed, longer lasting, and highly successful Internet products. Technology is never stagnant, and your employees' skills and knowledge must never fall behind.

Online education, though still in its infancy, will radically change the way people learn. Once again, Peter Drucker was an insightful seer of what lies ahead when he stated, "Education will become the center of the knowledge society, and the school its key institution."[2] This statement, printed first in 1994, is already fact. The Internet has created tremendous possibilities for today's centers of higher education to increase their importance in this new society. Understanding and taking hold of the opportunities made possible by this technology, both in enhancing and widening educational offerings and in streamlining institutional infrastructure, is a crucial first step. Many mistakes will inevitably be made on the road to progress. By taking lessons from the current dot-com crash, higher education can help ensure the success of the dot edus. *e*

Endnotes:
1. P. F. Drucker, "The Age of Social Transformation," *The Atlantic Monthly*, November 1994, pp. 53–80. [http://www.theatlantic.com/politics/ecbig/soctrans.htm]
2. Ibid.

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