The Real Story Behind the Failure of U.K. eUniversity

The picture behind the public failure of UKeU is more complex, interesting, and salutary than many reports would suggest

By **Richard Garrett**

In February 2000, with much fanfare, the British government announced funding of £62 million ($113 million) for a national, commercial e-university called United Kingdom e-University (UKeU). The initiative was touted as an innovative response to the perceived opportunities and threats of online higher education—in the form of U.S. institutions such as the University of Phoenix Online and the University of Maryland University College, not to mention the many—at the time—dot-com start-ups such as NYU Online and Cardean University.

Despite considerable resources and a lengthy development period given to UKeU, the government announced in February 2004 that the project had failed to meet recruiting targets, and it quickly became clear that the initiative would not survive. Recruitment and marketing have ceased, and negotiations are under way to transfer certain activities and assets to the U.K. higher education sector.

In the wake of the announcement, much press coverage has accused the venture of wasting public funds and pursuing an unrealistic business model. Such criticism raises important questions: To what extent was UKeU fundamentally misconceived? Or was it simply saddled with impossible expectations?

Snapshot of UKeU

Prior to its demise, what did UKeU look like? In brief, the venture was a private company (with around fifty staff), majority owned by the U.K. higher education sector. It did not award its own degrees, instead contracting with U.K. universities to offer theirs. The company focused on infrastructure development, course development support, quality assurance, and marketing. The target audiences were primarily (1) international graduate students who wished to study online rather than come to the U.K. and (2) the private sector (businesses wanting customized degree-level training for staff, for example).

The first programs were available in early 2003. By early 2004, more than 20 U.K. universities and other organizations were listed on the UKeU Web site offering around 40 programs, but most with a start date of mid to late 2004. The only recruitment figures ever released were 900 students by November 2003 (against a target of 5,600).

Timing, focus, branding

The first problem for UKeU was timing. UKeU debuted in February 2000, just a few weeks before the dot-com crash. During the Internet boom, the potential for new technology to transform many aspects of society in the short term, including higher education, was dramatically overstated. Concern that if the U.K. did not "do something," its international student market would be overrun by aggressive online universities from the United States and elsewhere was based on fear rather than fact.

The second problem was focus. The dot-com boom presented online delivery as an alternative to the conventional campus rather than as a supplement, as has more often turned out to be the case. UKeU's business model centered on wholly online provision, with very little evidence of a secure market. Wholly online higher education took off in the United States—U.S. research firm Eduventures estimated almost one million enrolments in 2004—but elsewhere growth appears to be much more limited. This is partly because online delivery outside the United States has (with key exceptions) yet to attain sufficient status, scale, and sophistication to succeed.

This led to a third problem—branding. Confusion existed between the mainstream U.K. education brand emphasizing the three elements of tradition, place, and quality and marketing by UKeU that promised "the best of U.K. higher education with online convenience" without being able to utilize these elements. This is not to say that online delivery is low quality, but rather that its novelty—and some critical comment in the media—have led many to question its potential.

Leading U.S. providers such as the University of Phoenix Online were arguably better placed because of a strong alignment between the convenience branding of the parent body (the University of Phoenix itself) and the convenience branding of online learning. Of course, many U.K. universities might be characterized as convenience institutions, but convenience is not a strong part of the image of U.K. higher education abroad.

Buy or Build?

A fourth problem arose from platform investment. Early on the company decided that existing commercial and other platforms were inadequate and that competitive advantage lay in developing a world-class platform in-house. The central argument was that the platforms then available (course management systems such as Blackboard and WebCT) were

- too narrowly conceived (concerned with course management only, rather than integrating portal, content, and other functionality);
- positioned e-learning as supplementary to the campus (whereas for UKeU, at least in the original thinking, provision was to be entirely online);
- overly content-driven (rather than student-driven); and
- did not permit much of what the developers regarded as good pedagogy (team teaching, problem-based learning, blind marking).

Between 2002 and 2004, UKeU spent millions developing a new platform. Following a competitive tender, the company brought in core technology and expertise from Sun Microsystems. Bold claims were made about the emerging system. To quote a UKeU brochure from 2003, "We have created a new eLearning platform and architecture that dramatically exceeds the capabilities of any previous system."

On one level, in-house platform development was sensible. If the UKeU courses could run on a platform widely acknowledged to be superior, it would go some way to reducing the aforementioned brand confusion—there would be a better alignment of the traditional U.K. higher education brand and high-quality online programs. Given that the UKeU platform remains incomplete, it is difficult to assess its full capabilities. It is an open question whether the vision or reality of the UKeU platform is in fact significantly and qualitatively different from the latest version of commercial and open source rivals. Recent years have witnessed significant platform convergence, with vendors focusing as much on third-party interoperability

and support services as on core functionality. Key trends have been the integration of the course management function into broader administrative capabilities and attempts to enhance the pedagogic respectability of leading platforms.

Whether or not the UKeU platform is (or would have been) among the best in the world would be very difficult to demonstrate to potential students. There is generally a significant gap between the pedagogic conception of instructional designers and those of the average faculty member, to say nothing of the average student (even at the graduate level). This suggests a tension between the amount of investment in the new platform (said to be around £20/$35 million) and the rather limited marketing pay-off in terms of student recruitment.

In retrospect, the company might have saved significant funds by using an existing platform, getting programs up and running more quickly, and leaving more funds for marketing. This would also have permitted the venture to grow more slowly (that is, with reduced upfront investment and ready-to-go third-party technology, UKeU could both have recruited faster and had more modest growth targets). Platform innovation might better have come once drawbacks of third-party systems had been demonstrated in practice and healthy recruitment had prompted private investment. Indeed, this approach would have allowed the in-house platform to develop at an appropriate pace, thus avoiding the embarrassment of missed deadlines and media scrutiny.

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Impatience

All this leads to a fifth problem—impatience. An April 2004 press release from the Higher Education Funding Council for England (which administers public funding for higher education in England, including for UKeU) stated that one reason for "restructuring" UKeU was that "student recruitment had not met planned targets in the first year." This serves as a reminder that in terms of recruitment, the company has only been operational for a single year. In other circumstances, the 900 students recruited by November 2003 to the handful of programs then available would have been judged quite respectable. That said, the underlying difficulty was that the venture took three years before it could even recruit, and it had not attracted any cash support from the private sector. Again, timing was the problem. Many of the firms trying to carve out a place in higher education during the dot-com boom—the very firms UKeU imagined would invest—quickly retreated to their core businesses once the bubble burst. If UKeU had been announced just one year earlier, things might have turned out very differently—at least in the short term.

There is little doubt that wholly online delivery (and the various in-country support models UKeU was beginning to experiment with) will emerge as a sizeable market in Europe, Asia, and elsewhere. Branding can work at both the high and low ends of the market, and much in between. There is no reason to think that the convenience of online education will appeal only to students in North America. Moreoover, there are now examples of leading U.K. universities offering successful online provision. Prestigious U.K. universities such as Liverpool appear to have combined their traditional reputation and online convenience to good effect. Laureate Education (formerly Sylvan International Universities), for example, has attracted private investment. Moreover, the notion of a single U.K. quality brand still has potential, allowing students to cut through multifarious providers to a trusted institution.

Massive up-front investment, lack of private sector cash, low enrollments, brand confusion, and an incomplete platform meant that by 2004 UKeU was doomed. Take short-term funding—and impatience for results—out of the equation, however, and the venture would likely have covered its costs in another five years or so and become a major online brand.

What Next?

So what has happened to UKeU? The UKeU platform is to be "transferred" (sold?) if ongoing discussions with "organizations in the public and private sectors" come to fruition. To date, no further developments have been announced. Aside from the brand and some key staff, it is thought unlikely that any other aspect of UKeU will transfer with the platform.

Of the original £62 million of public funds originally allocated to UKeU, £7/$12 million was set aside for so-called public good initiatives. These include the eChina program (developing U.K. university programs through UKeU, initially to deliver teacher training) as part of a wider Sino-U.K. Collaborative Program in Higher Education, and a national research center specializing in e-learning. Evidently these activities will continue (the research center is just now getting off the ground), but without UKeU branding. eChina has been transferred to the University of Cambridge.

Every effort is being made to accommodate students currently enrolled on UKeU programs, with the majority simply moving over to the infrastructure of the originating university. Aside from business closure expenses, no more public funds will go to the venture (about £35/$62 million has already been spent).

Along with NYU Online, Scottish Knowledge, and Fathom, UKeU has now failed. Others, such as Universitas 21 Global and Global University Alliance, stumble on with no evidence of particular success. Meanwhile, universities across the world are gradually moving online—both on and off campus—to varying extents, building slowly and learning all the time. This may be the end for UKeU, but for online higher education it is only the beginning.

Participating institutions will have learned many valuable lessons from the UKeU experience, despite what many regard as a waste of money and resources. The interesting questions are whether and how such lessons can be distilled for general consumption (the aforementioned research center is working on this) and whether competitive advantage in e-learning, for individual institutions or for the U.K. as a whole, might emerge as a result. *e*

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