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# Lessons from Launching an Online MBA Program

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## **Abstract**

The College of Business at San Diego State University embarked on a pilot project to introduce an online version of its MBA program in the spring of 2000. The College of Business at SDSU is one of the largest in the nation, with over 6,000 enrolled students. The online MBA program was intended to complement the wide variety of on-campus programs in the College. This article summarizes the lessons learned from the planning, implementation, and assessment of the program. In particular, the need to carefully position a new online program in the menu of existing programs is investigated. A successful online program should create synergy (or at least peacefully coexist) with traditional program offerings. This can only occur if the online program has credibility with faculty, serves students needs, and has financial viability.

## **Introduction**

Distance Education has quickly evolved from a specialty offering at a limited set of institutions to a mainstream delivery mechanism. It has been estimated that approximately 85 percent of two and four year institutions will offer formal online courses by the end of 2003. (Robinson, 2001). However, most schools have entered this market segment without a clear strategic plan. Most colleges have done little, if any, planning related to online education (Buchanan, 2000). The need for careful planning has been discussed extensively in the literature (Aoki & Pogroszewski, 1998; Hache, 2000; Levy, 2003; Miller, 1998; Moore, 1994, Richart, 2002; Saba, 2000). Previous authors have warned against the dangers of trying to retrofit a new distance learning program into the framework of existing traditional offerings (Miller, 1998, Saba 2000). Such an approach will systematically underutilize the potential advantages of distance learning.

The pitfalls from inadequate planning are particularly acute in the online MBA arena. The delivery of online MBA programs has become a popular target for many institutions. Online MBA programs are available from both traditional universities as well as a new wave of for-profit enterprises. In fact, the largest MBA program in world is the online program from the University of Phoenix. The online approach has clearly touched a nerve in the market for busy working professionals who seek to advance their educations. According to U.S. News and World Report, over 50% of current graduate students are over age 30 and nearly 25% are over 40. The attractiveness of these programs has allowed many schools to charge a substantial price premium. Duke University's acclaimed Global Executive MBA program costs participants over \$100,000. The popularity of online Masters programs is expected to continue to grow. InterEd, a higher education research firm, predicts that enrollment in virtual Masters programs will explode from 5,000 students in 2000 to over 50,000 in a few years. The National Center for Education Statistics estimates that approximately 10 percent of all current graduate students will enroll in at least one online course as part of their programs. According to Petersons.com, 180 universities currently offer an online MBA and the number is growing every day.

The College of Business at San Diego State University decided to launch a pilot online MBA program in early 2000. SDSU serves over 36,000 students on its main campus and has grown

rapidly in the last few years. Facilities and infrastructure had become strained and strategies for serving more students without creating additional problems of congestion and crowding were needed. Distance learning seemed like an ideal approach. The MBA program at SDSU serves a diverse group of students, including many working professionals. Representatives from central Academic Affairs and the College of Business Administration agreed to launch a pilot project to create an online version of the MBA core (first eight courses of the MBA program) to be offered starting Fall 2000 and ending Summer 2001. A project proposal and budget were submitted to the Associate Vice President for Academic Affairs and the Provost. The proposal was accepted and the beginning of the project was funded. Development began during the second half of the Spring 2000 semester. The faculty and a half-time instructional designer developed innovative strategies for online course delivery using a combination of university resources (Blackboard™ and RealServer™) and low-cost software tools (Firetalk™, RealPresenter™, and publisher's web sites). The project timeline was very short and resulted in several compromises along the way. Nonetheless, the classes were developed and offered with great success. While the future status of the program is still uncertain, the challenges to permanent status are primarily financial. This article will provide some insight into how these challenges were addressed and offer some advice for potential entrants into this market.

The first step in designing the program was to conduct market research. A survey was sent to 550 currently enrolled business graduate students to assess their opinions and perceptions about distance learning. Of this group, 65% were working full time and taking evening classes. Approximately 45% of the respondents reported that they were familiar with distance education, although only 18% had ever taken a distance learning course.

The survey respondents had rather low preconceived notions about the quality of online MBA programs. When asked to rate the overall quality of distance learning programs on a 1 to 5 Likert scale (where 1= much lower than traditional programs, 3= equal to traditional programs, 5= much higher than traditional programs), the mean score for overall quality was 1.58. This means that current graduate students in business perceive online MBA programs as much lower quality than traditional programs. The scores for the expected quality of Student-Professor interaction (1.57) and expected quality of Student-Student interaction (1.32) were also very low. Naturally, these results could be a quirk of the survey sample and the fact that these students had already chosen to enroll in a traditional program. Nonetheless, they did not bode well for easy acceptance of a new online MBA program in this market. Despite the mixed survey results, the decision was made to launch the program as a means of establishing a presence in the online market and to gain valuable experience in the skills necessary for success.

Despite their reservations about program quality, many students expressed an interest in taking at least some portion of their MBA online. Over 60% reported a high or moderate interest level in distance learning and only 17% reported no interest at all. Access to technology did not seem to be a significant barrier. Over 95% reported having access to the Internet, although only 37% had access to high speed delivery. The remainder were using modems operating at 56kbs or below.

Some typical comments to the survey included:

- "The real potential of DL is that you can get first-rate instructors and guest lecturers, above and beyond what you can usually offer. Absent this, the main advantage to me would be avoiding the traffic and parking problems. Reliability of technology would be critical. I've been to DL seminars where the equipment simply didn't work and we didn't get the advertised interaction. Since the interaction is important to me, I would tend to be skeptical of whether it would really work out as advertised."

- "My perception (however wrong) is that Internet programs are primarily for people that can't get accepted into a 'regular' MBA program. It is very difficult for me to imagine that such a program could have the same quality and interactions as a 'regular' MBA program."
- "The main reason I would consider the Internet core program is that the traffic is horrific on the way to SDSU, and my job requires me to work somewhat unpredictable hours. Both have resulted in my missing class time, and this might not be the case for the Internet program."
- "I would like the capability of accessing the course online at whatever time is convenient for me. I should also be able to download it so that I can transfer it to a laptop or handheld PC to view it at my leisure (while on a train, plane, etc) when I may not have access to the Internet."
- "Higher education is not a do-it-yourself business. I am very skeptical of the quality of learning that can actually take place on a computer. The kind of information, verbal and non-verbal, offered by personal instruction cannot be replaced. What's next? Buy books and learn on your own? If anything, students need more interaction and access to real teachers that are willing to actually teach for a change!! This seems to me like a cost based solution."

The market research survey was an important input into the design of the program. It put up an early warning flag that students could be skeptical about the motives and quality of the program. Based on these findings, a strong emphasis was placed on making the program as high quality as possible and on creating a sense of community through sustained interaction between students and faculty. Classes were capped at 12 students to ensure the development of strong working relationships between students and faculty. This is significantly smaller than typical graduate class sizes at SDSU (20-35 students). Students were recruited into the classes through a web site and through advising at the Graduate School of Business office.

A project team composed of a project director, faculty, and an instructional designer was created to develop the program. The team developed a number of innovative instructional strategies for delivering the courses at a distance. Each course was designed around the content and the faculty member's teaching style. For the most part, strategies applied in the classroom could be applied online. All courses met online once a week, using an audio conference tool (Firetalk™, now out of business). Other than that, courses varied from all "live" (except homework) to 40% pre-recorded lecture and 60% live discussion and group work. All but one course used Blackboard™ as an online course management environment. Schedules, weekly assignments, and faculty contact sites were put in a Blackboard™ site for each course. Some faculty utilized the shared whiteboard function in Blackboard™ allowing them to write formulas or diagrams on graphic tablets purchased for the program, and students saw these formulas appear on their computers, as if they were in class. All the while, the instructors could talk (through Firetalk™) about what they were drawing on the whiteboard. Faculty developed strategies for creating interaction online. The simplest was to call on individual students during class meetings. Another very effective technique was to ask the whole class a question and have each student type his/her answer in the text chat. This allowed the faculty to quickly check everyone's understanding. Also, students provided text comments during live lectures that helped faculty get a sense for students' interest and understanding. Students were also put into teams for small group discussions online and group projects.

In order to evaluate the effectiveness of the program, a survey was administered to the students who participated and interviews were conducted with all the faculty. The interviews were structured around a sixteen question open-ended survey instrument and generally lasted about one hour. The interview format provided the opportunity to ask follow-up questions and to probe

more deeply into areas of faculty concern.  
Student response to the online courses was very positive.

- 100 % of the students responded that they would take additional online courses if they were offered.
- Over 70% of the students reported that they were very comfortable with all of the online tools and that they had received adequate training for their use.
- 86% of the students responded that convenience was the greatest benefit of the online format. One student stated, "you can't beat the convenience of the online course and I believe I learn as much, if not more, than in a traditional course," Students mentioned several factors that contributed to the convenience including the ability to connect remotely from any location and avoiding traffic and parking congestion on-campus.
- Overall, the preparation time for the online environment far exceeded that of a traditional course.
- In the online environment the instructors found themselves asking more probing and in-depth questioning thus forcing students to communicate. As a result there was a high level of discussion both in class and through email. One participant estimated that "the online course had 30-40% more discussion than an on-campus course."
- The sense of community was evident through the student's use of "jargon" and sidebar conversations. In this environment students could ask and answer each other questions without slowing the group.

Faculty impressions were somewhat mixed. Nearly all faculty reported that they felt the online delivery of course material was as effective as a traditional approach. However, many of them voiced concerns about the workload and compensation. This echoes a familiar theme in the literature on distance learning. Several authors (Olcott and Wright, 1995; Clark, 1993; Dillon and Walsh, 1992; Koontz, 1989; Olcott, 1991; 1992; 1993; Wagner and Elms, 1993; and Wolcott, 1993) have described the many barriers to convincing faculty to participate in online course programs. These challenges include workload issues, compensation, technical training, administrative support, applicability toward tenure and promotion and lack of release time. All of these issues surfaced in one way or another. In order to induce participation, SDSU faculty were given a financial stipend and an extra course release. This form of compensation was not sustainable in the long run, but was necessary in order to get the program launched. Despite this, several faculty commented that the development of the online courses was far more time consuming than they had anticipated.

## **Lessons Learned**

The development of an online MBA program at SDSU created several challenges. Most of them were overcome, but the future of the program remains in doubt. The primary source of uncertainty is the availability of sufficient resources to make the program work. In its current format, the program is considerably more expensive than the traditional MBA program. Based on the experience at SDSU, several important lessons became apparent.

### *Integrate the Online Program into the Strategic Plan.*

The SDSU online program was developed very quickly and the time pressure did not completely allow for smooth integration into the overall menu of program offerings in the graduate program. There is a clearly defined market segment for programs of this nature. The market of working professionals who seek higher education is large and growing. However, if an online program is simply appended to an existing campus program as an alternative delivery mode, it is unlikely

that this segment will be fully tapped. An online program requires clear marketing and communication to potential participants, many of whom are likely to differ from those in existing programs. Failure to do so can lead to confusion and loss of potential students. To some extent, this was the case at SDSU in launching the program. Participants were recruited primarily from students who were already in the regular MBA program. This is a small portion of the potential market and does not materially add to the student base at the university. It is far better to develop a strategic plan that integrates the distance learning program into the overall portfolio of programs offered. The goal should be to seek potential synergies between the programs and find areas where they can complement each other.

#### *Have a Financial Plan.*

The SDSU program began with a development grant from the university. As long as the program was being subsidized, it was financially viable. However, it evolved into a format that was not sustainable when the grant funds expired. Many schools have embarked on distance learning programs in the hopes of producing revenues. In practice, they are lucky to break even, particularly in the short run. Up front development costs are very substantial and ongoing maintenance and support costs are typically greater than expected (Weber, 1996). While distance learning may appear very cost effective in principle, many studies report disappointing results in practice (Caffarella et al, 1992; Carr, 2001; Ng, 2000). For a program to succeed in the long run, a university must have a clear financial plan that will cover all of the costs and work within the existing administrative structure. Robinson (2001) provides some interesting ideas about how this can be done, particularly for MBA programs. He suggests that course content can be repackaged in several versions and offered as modules for Certificates, Continuing Education, and other non-degree formats as a means of producing income. Needless to say, it is helpful to have planned this strategy in advance in order to avoid running out of funds midstream.

#### *Make Distance Learning a Part of Faculty Workloads.*

Enthusiastic faculty support and participation are key to the success of any distance learning program. This can only be sustained if participation in the online program is viewed as an equitable alternative to teaching regular classes. This will always be difficult, particularly in launching a new program. While there will always be a few faculty who will participate in a new program out of curiosity and technical interest, this group will probably be inadequate to sustain an ongoing curriculum across the disciplines. In order to create the critical mass of faculty necessary for the program, a “fair” package of incentives must be offered. The best way to accomplish this is to integrate the program into regular workload planning and to offer supplemental support for faculty who are willing to take on the extra burdens of developing online courses. Several authors have described the most effective methods for overcoming faculty resistance (Giannoni and Tesone, 2003). This important issue must be addressed from the very onset of the program. Failure to do so will result in a disappointing series of negotiations, arm twisting, and disgruntled participants.

#### *Make the Program Credible.*

The market research reported in this study showed students to be skeptical about the quality of online degree programs. Other studies have reported similar attitudes from faculty (Bower, 2001; Chizmar & Williams, 2001; Passmore, 2000; Husmann & Miller, 2001). It is important from the very start that distance learning be viewed as a high quality alternative to traditional course delivery and not simply a technique for saving money or increasing faculty workloads. The program must be accepted by the faculty who choose not to participate as well as those who

get involved. The best approach is to have the distance learning program emerge as a faculty-driven initiative. If a strong faculty “champion” for the program can be identified, it will go a long ways towards making the program acceptable to everyone. At some schools, these programs have emerged as a “top down” project pushed by senior administrators. This raises the risk that the motives for the program may be suspect.

### *Build a Learning Community.*

One of the biggest concerns at SDSU in launching an online MBA program was the difficulty in creating rich interaction between faculty and students. This concern can be well founded, particularly given the roots of distance learning in modest technologies such as videotape and correspondence courses. Most MBA programs rely heavily on case discussions and student teamwork. This can raise the stakes for required technology. Fortunately, new generations of high speed Internet access and online teaching tools have vastly improved the ability to include high quality interaction as part of the curriculum. Several faculty at SDSU commented that synchronous video would have been a useful addition. This is now becoming readily available and will help to dispel concerns about limitations of distance learning in creating vibrant learning communities.

### **Conclusion**

Making the leap into distance learning is an exciting and challenging adventure. The impressive revolution in information technology and the growing body of knowledge about best practices are making distance learning accessible to virtually everyone. However, it is a journey that can be fraught with danger. The prospects for success can be greatly enhanced by carefully developing a strategy for such programs and clearly defining how they fit with other campus offerings. The financial aspects of the plan are critical to success. Some institutions have created very profitable distance learning programs, but even under the most optimistic assumptions it will take time for development costs to be recovered. Careful planning can minimize the risks and help to ensure that an online program will become a vibrant part of a university curriculum.

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*Online Journal of Distance Learning Administration, Volume VI, Number IV, Winter 2003*  
*State University of West Georgia, Distance Education Center*  
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