Seppo Leminen, Saara Könkkölä, Juho-Petteri Huhtala (Eds.)

Multichannel Multi Market Media Service Business Model Evaluation and Benchmark

Leminen, S., Könkkölä, S., Johnson, M., Niiranen, H., S., Salo, J. & Siuruainen, R.

LAUREA LEPPÄVAARA *Service Innovation and Design*

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Executive summary

This study examines business models for the e-learning industry both in Finland and in international markets. Three complementary research pieces are presented in this report, and each is documented independently. Part one features a *study of different bundling opinions in the e-learning industry with public sector clients* (decision-makers at public (state) schools). Part two is a *benchmarking study of AMA (American Management Association) as a content provider of education and training solutions*. Finally, part three is *a study of different business model options available to international e-learning companies, or companies that are striving to become international*.

The purpose of the *study of different bundling opinions in the e-learning industry with public sector clients* in Part 1 was to examine the value drivers and buying decision-making between teachers and principals at a public (state) school, who make the decisions on the form of learning material used at the school. Potential decision-making conflicts between the decision-makers were also highlighted. As the e-learning phenomenon is a very new and complex one for public schools, an exploratory approach was adopted. The study draws on prior research on strategic bundling of products and services, and builds on it to research organizational buying behaviour and present an empirical study of three different case schools. A total of 15 interviews lasting between 60 and 120 minutes were conducted. The study indicates three key findings. First, when making decisions about buying learning materials, teachers and head teachers need to consider three different factors. These are the service platform, the learning material and the equipment used for studying. Second, teachers working together usually make the buying decision, and the principal has only a formal decision-making power. Third, regarding value drivers, clarity and topicality were found to be the most important to both teachers and principals. These perceptions between teachers and principals did not particularly conflict but the different levels of enthusiasm exhibited by the head teachers did affect the adoption of new service packages. The motivation of the teachers to adopt new methods was also found to be an issue and proactive principals and teachers seen to be in a position to motivate others.

The purpose of the *benchmarking study of AMA (American Management Association) as a Content Provider for Education and Training Solutions* in Part 2 was to reveal the business activities of AMA. Specifically, this benchmarking description analyses AMA and its business model and what Finnish e-learning companies might learn from it. The study shows that, there is no exclusive method to producing successful management training programmes. Training solutions include online, on-site or classroom training modules. Usually training solutions are a combination of these

modules. AMA is also able to serve customers with different methods and training techniques. The customer is able to modify AMA's open courses and modules, different methods and techniques, pre- and post-learning assignments and other development tools, such as the latest research and case studies or benchmarking cases to address an organization's specific needs. These tailored programmes may consist of purely online workshops (on-site) or classroom training or may be a combination of both. This combination always depends on the actual needs of the customer, but the position and organization level of the participants is also a key requirement when designing customized training and developing a programme. AMA also has hundreds of open training programmes and workshops worldwide.

The purpose of Part 3, the study of different business model options available to international e-learning companies was to investigate different e-learning companies and the success drivers of their business models, with particular emphasis on internationalization. 16 semi-structured qualitative interviews with managers and other representatives of several e-learning companies were conducted. Secondary data from various sources from the internet were also collected. The results show that suggested business models in prior research adopt a rather limited view of business models in terms of e-learning suppliers. Often, the business models are a combination of several services, such as social software, consultant services, serious games, Learning Management Systems (LMS) and Learning Content Management Systems (LCMS). The results also indicate challenges in the internationalization endeavours of e-learning companies: the e-learning industry is regulated in some countries, cultural differences in learning methods exist, the users may have different motivations and ways of utilizing e-learning software. Hence, whether or not the service is well received internationally will also require business model innovation and dynamism.

1 Business concepts for combined online and offline materials in e-learning services

Saara Könkkölä, Helinä Niiranen, Jari Salo & Seppo Leminen

> **Teachers and principals can face dilemmas when taking the decisions about which materials to use, as they have to consider organizational and personal goals at the same time.**

Digital learning solutions are increasingly used in school education alongside traditional, printed schoolbooks. Correction is easier to perform and interaction easier to foster in an electronic environment than through the medium of printed books (Davis and Wong 2007). Digital content is also more flexible as it can be more easily updated and integrated with other material like websites (Thompson and MacDonald 2005; Wu and Lan-Yin 2010). From the provider's perspective, technological development has opened doors for new business, but also poses challenges for publishers of learning material. In addition to the technological changes, however, the markets for learning solutions for public schools are somewhat complex in other ways as well. According to Barr and Dreeben (2008, p.75) teachers and principals can face dilemmas when taking the decisions about which materials to use, as they have to consider organizational and personal goals at the same time, and those goals may conflict.

According to Seufert (2002, p. 110):

> *e-learning is taking over schools and businesses. It removes the barriers of time and location. The industry is tremendously changing, regarding ways to teach and learn. New strategies for e-learning are needed to react to the big changes on the learning market globally*

This study looks into three possible bundling options, and how those bundles are perceived by the customer-users in public schools. The main purpose of this study is to better understand the user experience and customer-perceived value, those users and customers being the teachers and their principals making buying decisions on learning material.

1.1   Strategic bundling from a value-creation perspective

The concept of 'perceived value' emerged as the defining business issue of the 1990s, and has attracted extensive research interest since. The related concept of 'consumer value' has become the fundamental issue to be addressed by every marketing activity (Holbrook 1999). However, the concept is complex and there is no clear consensus on its definition (Sánchez-Fernández and Iniesta-Bonillo 2007; see also Sánchez-Fernández and Iniesta-Bonillo's article for a thorough and systematic review on the different conceptualizations of value). In his seminal article, Zeithaml (1988, p. 14) defines value as '..the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given'.

McDougall and Levesque (2000, p. 394) define perceived value in broad terms:

> *perceived value is the results or benefits customers receive in relation to total costs (which include the price paid plus other costs associated with the purchase). In simple terms, value is the difference between perceived benefits and costs.*

For Reid and Plank (2000), the concept of value defines the why of a buying decision. Woodruff (1997, p. 142) defines customer value as:

> *(the) customer's perceived preference for and evaluation of those product attributes, attribute performances and consequences arising from use that facilitate (or block) achieving the customer's goals and purposes in use situations.*

Woodall (2003, p.1) defines a similar concept, value for the customer (VC), which means the value derived from a supplier by the customer. According to Woodruff (1997), it is customers who determine and perceive value rather than the seller. Customer value is then a trade-off between what the customer receives (e.g. quality) and what the customer gives up (e.g. time or money).

The pervasiveness of bundling has also been acknowledged in marketing literature for several decades (e.g. Ansari, Siddarth and Weinberg 1996; Lawless 1991; Popkowski Leszczyc and Häubl 2010; Stremersch and Tellis 2002; Subramanian and Venkatesh 2009) and is widely practised in today's marketplace. The phenomenon of organizations offering service bundles can typically be observed in dynamic markets with heterogeneous customer demand (Kohlborn et al. 2010). The bundle provider, in effect, has a portfolio of products, and emphasis can be shifted between them as market conditions change.

Bundling is a common practice that involves combining two or more products or services and selling them at a set price (Stremersch and Tellis 2002; Yadav and Monroe 1993). According to Stremersch and Tellis (2002) there is no single universally accepted definition of bundling and the distinction between a product and a bundle is not clear. Generally, a bundle represents a package that contains at least two elements and presents a value-add to potential customers (Kohlborn et al. 2010). Ovans (1997) argues that the challenge in bundling is choosing the appropriate products to be bundled in order to achieve the expected performance, such as by creating new markets or increasing customer loyalty, sales, or profits. In order to describe and explain bundling as a concept, it has been analysed in prior literature both from the provider's (Elberse 2010), and the customer's perspective (e.g. Hong 2006; Johnson, Herrmann and Bauer 1999; Yadav 1994). Often, the customer's perspective focuses on measuring the utility of different bundles to customers, and the provider's perspective on potential competitive advantage and strategic implications.

Stremersch and Tellis (2002) distinguish product and price bundling. They define price bundling (see e.g. Johnson et al. 1999; Naylor and Frank 2001) as 'the sale of two or more separate products in a package at a discount, without any integration of the products'. Product bundling (e.g. Simonin and Ruth 1995), on the other hand, is defined as the integration and sale of two or more separate products or services at any price. The authors further continue their definition by emphasizing that while price bundling is a pricing and promotional tool, product bundling is more strategic in nature in that it creates added value. Hence, price bundling can be used as a short-term tactical tool, while product bundling is more of a long-term differentiation strategy, and is often approached from a product development perspective.

Lawless (1991), in turn, uses the concept of commodity bundling. His seminal article defines commodity bundling as grouping related products together into a unified market offering. The author further argues that one basis for bundling services and/or products (i.e. commodities) is that they can help lock in customers in the future, particularly where information is difficult to obtain and uncertainty and contracting costs are both high. Consequently, buyers are presented with bundled products/services that together result in lower costs or increased benefits (Lawless 1991). For Shankar, Berry and Dotzel (2009), an important basis for bundling is dependency: some goods and services are highly dependent and therefore must be bundled together, while some other products and services are relatively independent. The objective of bundling, according to Lawless (1991, p. 267) is 'to develop a competitive position that produces value for customers and differentiates the bundling firm from its rivals'. Generally, a bundle represents a package that contains at least two elements and presents some kind of value-add to potential customers (Kohlborn et al. 2010, emphasis added).

Figure 1 provides simplified illustration of the bundling options available to a learning materials publisher. Alongside the different options, the figure also presents a continuum, in which the left-hand side represents the current date, while the right-hand side represents the possible future scenario. The bundle on the left-hand side – printed material and optional electronic material – represents the current situation in Finnish schools. The bundle in the middle represents a situation the industry might be in a few years hence. The bundle on the right-hand side represents a situation in which all the material would be in electronic form. Of course, it is hard to predict the future of this industry. Hoppe and Breitner's (2003) argument still applies, almost ten years after the being made: 'e-learning is growing very rapidly, and it presents challenges in regards of how to shape new kind of sustainable business models for complex e-learning services'. Therefore, this model is speculative, and should be regarded as such.
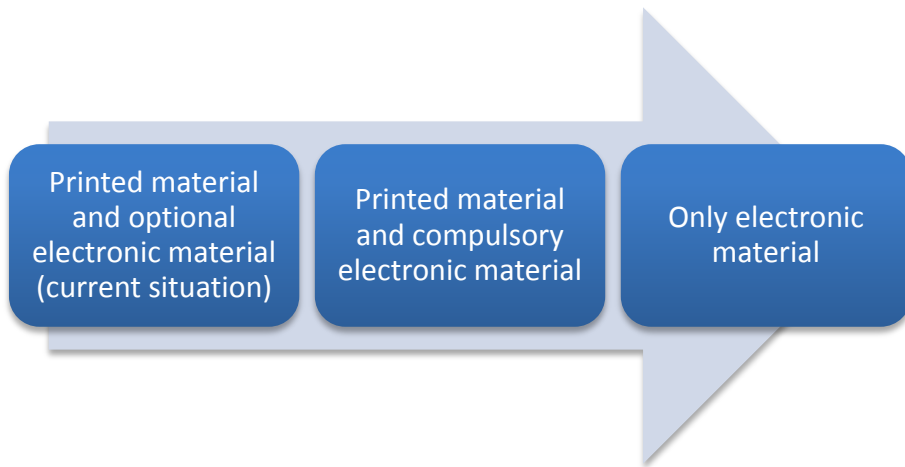
Figure 1 Possible options for bundling learning material

1.2   Organizational buying behavior

According to Grandon and Pearson (2004) the factors influencing the adoption of e-commerce, are organizational readiness, external pressure, perceived ease of use, perceived usefulness and compatibility. Organizational readiness consists for example of technological and financial resources. Company values, culture and work habits also have an effect. External pressure depends on competition, government, and industry in general. Compatibility in adoption of e-commerce is defined by the connectedness to e-commerce by the company. Moreover it is the correlation between the e-business and company values and work practices. (Grandon and Pearson 2004).

Organizational buying is a multi-phase process that involves a range of people (Robinson et al. 1967; Webster and Wind 1972; Sheth 1973). A buying centre is a key concept in organizational buying behaviour. The buying centre does not necessarily operate in the manner of a formal organization. It is formed by the communication between individuals and the relationships within the buying centre. An important factor to note in organizational buying behaviour is communication structure. (Johnston and Bohoma, 1981). In fact, the buying centre structure, influence and communication all change over time (Ghingold and Wilson 1998) Key concepts of the buying centre are the number of the hierarchical levels (vertical involvement), the number of individuals in the buying process ('extensivity') and the number of departments involved (lateral involvement). The connectedness and centrality of the purchasing manager in the buying centre are also important (Johnston and Bohoma 1981).

The framework for the study is adjusted from the model presented by Garrido-Samaniego and Gutiérrez-Cillán (2004). In this framework, the organizational buying behaviour is constituted by determinants at three different levels (See Figure 2). The micro-level, where personal characteristics refer to the decision-makers experience and motivation for example, or their personal stakes. The level in between refers to the organization's characteristics, for example how the decision-making is organized in the company. The macro-level refers to the situational and environmental factors, such as public policy and the novelty of the technology.
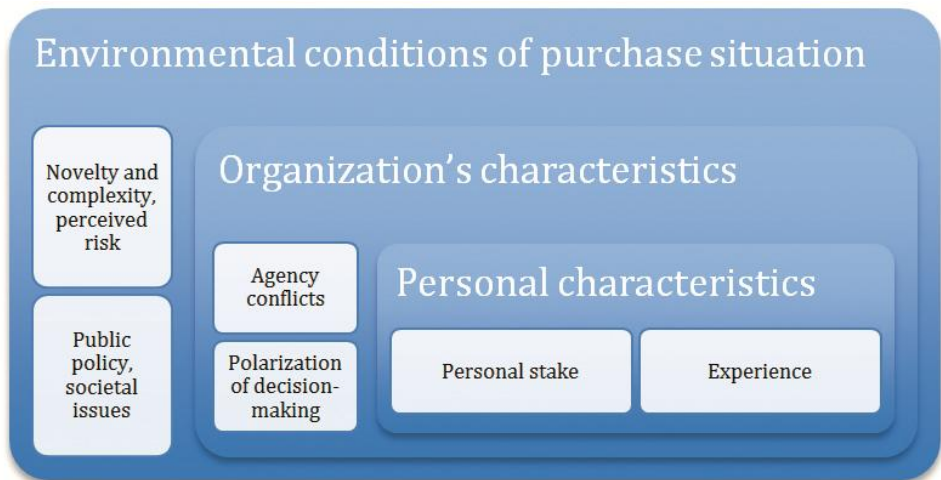
Figure 2 The determinants of organizational buying behaviour (Adapted from Garrido-Samaniego & Gutiérrez-Cillán 2004)

1.3 Case and methods

This study aims to elicit the plurality of opinions in the market setting under analysis, so a qualitative, explorative take on the empirical part seems most appropriate (e.g. Pratt 2009). The main data source for the research is interviews (Arksey and Knight 1999; Kumar, Stern and Anderson 1993). A total of 15 interviews lasting between 60 and 120 minutes (McCracken 1988) were conducted. The interview questions were semi-structured to encourage interviewees to answer as completely as possible (Arksey and Knight 1999). All the interviewees were key informants adjudged critical to the success of this study (see e.g. Yin 2003) – principals or teachers from three different schools in Finland spanning primary, lower and upper secondary levels. For the preliminary analysis presented in this paper, the interview data were subjected to a thematic content analysis (Boyatzis 1998), which helped to bring out the emerging themes discussed in the next section.

1.4 Findings

With the aid of the framework presented in chapter 4 (figure 1), we looked into different aspects of buying-behaviour in the public (state) school context, and how the teachers and headmasters valued different combinations of online and offline learning material. The objective of the analysis was to elicit from the interviewees a description of their use of learning material and how they perceived the challenges posed by various online and offline platforms and the advantages they might bring.

1.4.1 Personal characteristics

The teachers' experience with digital learning material, and the motivation to acquire new skills, was a theme that came up very strongly in the data. The most influential teachers also acted as lead-users, teaching and motivating their colleagues to experiment with different combinations of electronic and printed learning material. The coherence of the content was brought up in several accounts, mainly in reference to the pedagogical aspects of a potential bundle. One strong theme evident in several accounts was the question of how to utilize digital technologies in the classroom and with homework in a way that ensured each pupil would have a similar opportunity to make use of the material. Secondly, some of the teachers admitted lacking necessary skills, and/or to finding learning the new skills too time-consuming. Consequently, on many occasions, the informants questioned the actual added value of bundled learning solutions, and preferred products/services sold separately. Many of the interviewees mentioned using a printed book, with the digital learning solutions regarded as supplementary services supplied free of charge, or at a discount.

Obtaining a group of products from a familiar source can be an attractive substitute for a costly search for more information on each product, especially in cases where such information is scarce. Early adopters in particular find it difficult to obtain information on, for example, a product's effectiveness, ease of use and comparative advantages, and on the availability of substitutes (Lawless 1991, p. 271). Hence, a successful commodity bundle should be coherent from both the end user's perspective. The following interview excerpt suggests that in the classroom context, teachers struggle with the coherence of the online and offline learning material content, especially in situations with specialized user needs.

Interviewer: *What kind of issues do you take into account when purchasing learning material?*

Interviewee: *It's definitely the pedagogical issues. How they fit with your own vision, that's the most important thing. We had a situation recently where the content of the*

standard course book had nothing to do with the supplementary content ...it was a total mess. There was no coherence between the regular material and the material for special needs. (A teacher)

1.4.2   Organizational characteristics

Instructors can exert a great social influence on the learner's e-learning behaviour (Davis and Wong 2007). The teacher in Finland has autonomy in the class. However this autonomy also depends on the extent to which others recognize the teacher's expertise. This means that in practice teachers have the responsibility for deciding how much electronic content is in their lessons.

In the study, the perceptions of value between teachers and principals did not really conflict. It was interesting to note that there were conflicting perceptions between principals of different schools. In some cases, the teachers said that they were very willing to use additional digital material in their teaching. However, if the solution provider charges for the supplementary material, the decision on the value of the material is made by the principal or municipal authority, not by the teachers themselves.

> *It's the headmaster who makes the final decision. Very often, if you decide to use a certain publisher's textbook they'll give you the extra online material free of charge. If you do have to pay for the extra material, then it's up to the headmaster to decide if it's worth the money. Also, if you want to purchase any audio-visual material, the headmaster makes the final decision. But if the material doesn't cost any extra, then I can make the decision myself.* (Teacher, human sciences & philosophy)

Organizational buying behaviour decisions were twofold. In all of the schools the learning platform decisions were made in the municipal administration. Consequently for platform decisions, the number of hierarchical levels is very low as the decision is generally made in the municipality, and the schools themselves are not overly involved vertically in the platform decisions. However, the decisions on learning material were made in schools. The learning platforms were mostly used as communication channels where information is shared. (For example, some even allow parents to log in and notify the school if their child was going to be absent.) Some teachers used the platforms as data banks where they could upload the class materials and some exercises. It was also a tool for checking the attendance in classes. The decisions about books and other learning materials were made mostly among the teachers.

> *My role is very small after all. Actually, I do not think that I have the competence to intervene in the buying decisions.* (A headmaster)

> *If we think about the text books and book materials, I decide. But I don't do that like a dictator, of course. The teachers first present their wishes and needs.* (A headmaster)

1.4.3   Conditions of the purchase situation

According to Holsapple and Lee-Post (2006), information quality is an aspect that merits improvement in e-learning environments, especially concerning assignments and practice environments. Therefore the learning material also needs a platform where the actual material is used, and this varies from school to school. The challenge for school personnel and municipal decision-makers alike is to provide each pupil with similar opportunities to use whatever learning content the school has decided to deploy, online or offline. The current situation in the world of Finnish schools, however, may pose some challenges. Some schools may have computers and smart boards in every classroom while in some schools even the teachers do not have an opportunity to use computers in classes.

> *We do not have that many computers at school, so for us it's really difficult to utilize digital content. So, before we start to use more digital material, we have to make sure everyone really has access to the tablet or whatever it is that the content is being used with. If we get a good deal and the prices decrease, then the eBook and the license might be more affordable, at least if we were able to use the same devices with a different series of books. It might pay for itself in the long run.* (A headmaster)

In this sense, even though the publication companies were able to provide the schools with bundles that offered added value for the users and buyers, and clear pedagogical benefits, the situational characteristics (public policy and the financial situation of the municipality) constrain the building up of the role of the digital content in the bundled offers.

1.5   Implications and future research

This study has elaborated on the customer-perceived value of different online and offline learning solutions, and the possible implications for the bundling decisions made by the provider. We have illustrated three emergent themes through which we have been able to look into the challenges around the deployment and use, the important attributes, and conflicting value perceptions. The findings of this study reveal that the publisher (the content provider) needs to take into account aspects at three different levels 1) the personal characteristics (of the decision-maker or the

person who influences the decision-making process) 2), the organizational characteristics (e.g. different policies regarding the decision-making processes that vary from school to school) and 3) the environmental conditions of the purchase situation.

These results suggest that the pedagogical aspects of online and offline bundles require increased attention from the content providers. Similarly, the degree to which the teacher is motivated to use the new solutions is a crucial aspect, as the study indicates that individual teachers can influence the buying decision, while the final decision lies with the principal. Greater attention should also be paid to motivating the key users to explore different ways of teaching. However, in line with the third emergent theme, while it is not possible to provide all students with a similar opportunity to use new platforms, the hands of the teachers and the content producers remain somewhat tied.

Lawless (1991) points out that it is fairly clear that the seller should not offer a commodity bundle where the buyer actually obtains more value from individually-purchased goods and services. The condition occurs where some elements in a bundle offer no value. The bundling decision should also take into account that buyers may not value certain products in a bundle, or that preferences can change as they become more familiar with products and suppliers. These issues also emerged from the interview data, as in the excerpt quoted from an interview with a teacher above.

This study is only the first stage of the process of gaining better understanding of this complex market, both managerially and academically. The qualitative, explorative approach provides only insights into the critical issues of customer-perceptions of value. Prior literature has largely relied on quantitative experiments (e.g. Oppewal and Holyoake 2003). To further research, we suggest quantitative research with a larger sample that would allow us to shed more light on the effect of different bundling options on buyer behaviour and furthermore, on teachers' and headmasters' evaluations of the pedagogical aspects of different bundles.

2 Benchmarking study of AMA as an education and training solutions content provider

Riikka Siuruainen & Seppo Leminen

2.1 Introduction

e-learning is described in many different ways within e-learning literature and research (Nichols 2003). The term e-learning is often used with distance education or distance learning (Holsapple and Lee-Post 2006). In this case study, e-learning is defined as learning that is supported and/or made possible by the use of Information Communication Technology (ICT) (Hoppe and Breitner 2003). For an organization that invests in e-learning, these services have to address economical, pedagogical and technological goals (Huhtala et al. 2011).

The objective of this case study is to describe the business model of the case company, the content provider AMA (American Management Association).

Data used in this section have been obtained from the AMA website (www.americanmanagementassociation.com) and other open sources on the internet. AMA is a corporate training and consulting group, that provides a variety of educational and management development services and training programs to businesses, government agencies, teams and individuals With over 85 years of development experience and delivering over 170 training seminars and training courses throughout the USA, AMA has developed training solutions to meet the proven challenges of customers. AMA also has offices and educational partners worldwide.

This case study of AMA adopts Osterwalder's (2004) business model concept as a framework for describing the results, as it contains the main elements at the architectural level of business, and works as a tool for both defining the current state of AMA's business model and its recurring challenges for business in the future. Osterwalder (2004) defines nine building blocks and four pillars in the business model framework (See Figure 2 and Table 1). For more information about e-learning and e-reading business models, see Leminen and Salo (2011), Huhtala, Salo, and Leminen (2011), and Westerlund, Rajala, and Leminen (2011).

III: Infrastructure management		I: Offer	II: Customer interface	
Key partners	Value configuration	Value proposition	Customer relationship	Customer segments
5	6	1	2	3
	Capability		Channels / Distribution	
	7		4	

IV: Financial aspects	
Cost structure	Revenue model
8	9
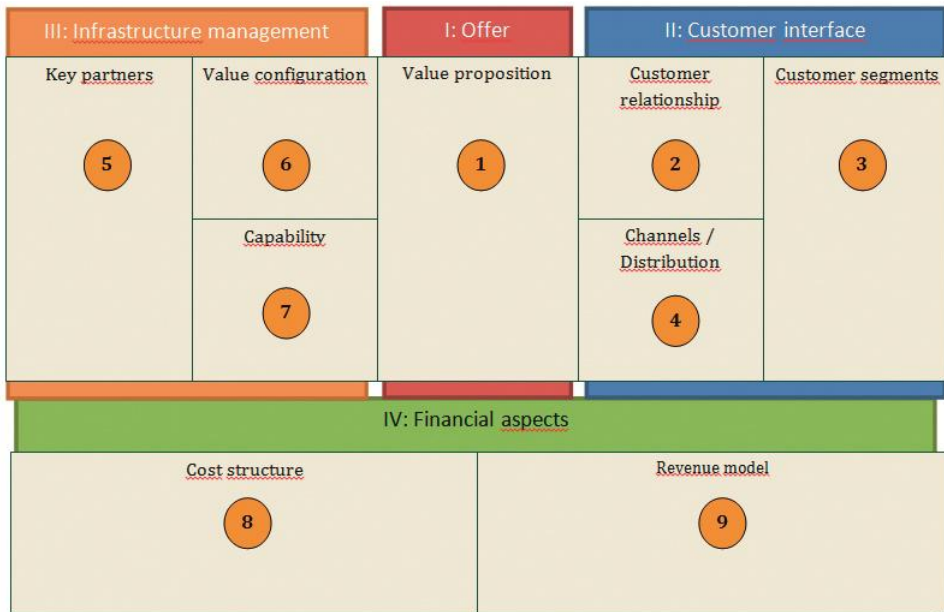
Figure 3   Nine business model building blocks and four pillars (Osterwalder, 2004)

As shown in Figure 3, Osterwalder (2004) illustrates four elements and key questions (Table 1) in the business model: Offer, customer interface, infrastructure management and financial aspects. Offer consists of the value proposition for the customer. Customer interface consists of three parts: customer segments (those to which the organization wants to offer value), channels / distribution (the various means open to an organization to get in touch with its customers) and relationship (the links an organization establishes between itself and its different customer segments). Infrastructure management also consists of three components, which are value configuration (arrangement of activities and resources), capability (the core competencies needed to execute the business model) and key partners (partner network with other organizations). The fourth element, financial aspects, has two components: cost structure (monetary consequences of employing a business model) and revenue model (how the organization makes money). (Huhtala et al. 2011, s. 23)

Pillar I: Value	Value proposition: What is offered to the market		
Pillar II: Customer interface	Customer relationship: The relationships established with clients	Customer segments: Target segment(s) of clients that are addressed by the value proposition	Channels / Distribution: The communication channels used to reach clients and offer them the value proposition
Pillar III: Infrastructure management	Key partners: The key partners and their motivations to participate in the business model	Value configuration: The key activities necessary to implement the business model	Capability: The key resources needed to make the business model possible
Pillar III: Infrastructure management	Cost structure: The cost structure resulting from the business model	Revenue model: The revenue streams generated by the business model	

Table 1   Nine business model building blocks and four pillars, key questions (Osterwalder, 2004)

2.2   Background and history of AMA

AMA has its origins in 1913 with the founding of the National Association of Corporation Schools (later renamed the National Association of Corporate Training). By 1922, business specialists had merged with the Industrial Relations Association of America (the IRAA was founded in 1918 as the National Association of Employment Managers), to form the National Personnel Association. In 1923, the group chose a new name for the association, American Management Association, to better reflect the mission, goals and expertise of the group.

AMA's approach is to improve performance with an experiential learning solution called "learning through doing". These solutions provide opportunities and solutions for professional growth of individual customers that are aligned with their own career journey and the challenges facing their company. AMA supports the goals of individuals and organizations through a competitive range of products,

services and solutions, including seminars, webcasts and podcasts, conferences, corporate and government training solutions, business books and research. (www.americanmanagementassociation.com)

2.2.1   AMA Worldwide

AMA pursues global development activities in 14 countries. AMA develops and coordinates global training programs worldwide to ensure, that consistency, cultural and other appropriate objectives are met when providing solutions to global corporations

AMA operates with local education centres (through faculty and co-operation agreements). Today, AMA offers training and development services from offices spread around the world from the Americas to Europe and the Middle East to the Asia-Pacific region.

AMA also has online-business partners, licensed to use AMA Online Learning and Training Solutions under the AMA brand. AMA also trains those companies to be "AMA Online Partners" to use AMA's knowledge, methods, tools and brand for delivering online training services and solutions. These partners enhance AMA's training solutions for customers, managing the whole training process and program from registration, customer service and online training to IT-solutions. For example FlexStudy.com is a partner company, who improves online management training using AMA-products (the company offers only online solutions). Other AMA licensed online partners include Global Knowledge Inc., Online Training Inc., CMS Training Inc. and Training Partner Inc. to mention just a few. Partners generally work with the IT products of Adobe.

2.2.2   The AMA business model

The main data source used for information on the AMA business model was the AMA website and other open sources freely available on the Internet. Osterwalder's (2004), (Figure 4) business model concept is used as a framework to illustrate the AMA business model, and define its current state and key elements, and its future challenges.

III: Infrastructure management	I: Offer	II: Customer interface
Key partners; executive education centers, consultants, lecturers, online partners (content providers, IT-partners), Research partners, Seminar Sponsors	**Offer:** Learning and Training Solutions: Leading training and developing services worldwide; bundling online, onsite and in class. Public seminars, open training programs, certificated open programs, customized solution and programs	**Offer:** Learning and Training Solutions: Leading training and developing services worldwide; bundling online, onsite and in class. Public seminars, open training programs, certificated open programs, customized solution and programs

IV: Financial aspects
Finance: Training and developing solutions, AMA membership, Sponsors and research partners

Figure 4   AMA Business model

2.3   AMA customers

AMA customers may be discussed in three groups: individuals, companies and government agencies. Each has the opportunity to use the latest knowledge, tools and techniques from AMA to improve their personal knowledge and skills and also the performance of their company.

2.3.1   Individuals

Individuals are one of the main target segments in the field of training, coaching and development. Training programs are usually called 'open programs', which means that participation is available to all customers qualified for the program. Courses and seminars are targeted at all management levels of the organization. Training courses vary from one day seminar modules to complex coaching and training courses lasting several months. These courses may be implemented online or in a classroom or using a combination of both methods. Customers are often from different companies, industries and occupations and their companies also vary widely in size.

AMA is also able to provide individual-level training in a global context through its cooperation network.

2.3.2   Companies (Private Sector)

Companies in this segment are often from different industries and they vary widely in size. Two AMA case examples of its customer solutions (Siemens and Whirlpool) will be introduced later.

Company-customized solutions bring the opportunity to take advantage of existing AMA open educational solutions, but also tailored training solutions, which are planned and implemented specially to meet the client company's needs and reflect its values.

Companies may commission ongoing development projects (for example to help the company's HR function) and exploit AMA's existing training courses and modules of as part of the company-specific solution or have new fully-specified solution of their own. AMA will also take industry-specific challenges into account when implementing company-specific training solutions.

2.3.3   Government Agencies

Public organizations may also use the existing training modules of AMA, although certain aspects of these training programs are a little different. Similarly, public organizations can tap into individual training programs.

Customers and training programs in this segment vary from training programs for individuals and teams to training programs applied across the whole organization. It is also possible for government agencies and organizations to purchase products and services from AMA and then provide training programs or workshops to their own partners, members and customers.

Customer	AMA service /solution
Individuals	public seminars, open training programs, certificated open programs
Companies	customized training programs and solutions, open programs /modules
Government Agencies	customized training programs and solutions, open programs /modules

Table 2   AMA's customer segments and training solutions (Source: AMA)

2.4 AMA members – My AMA and other Memberships

AMA has different memberships available for individuals and companies. The purpose of offering membership is to obtain customer data and lock customers in to AMA, and as such is an important part of AMA's revenue model. Membership gives the customer benefits and discounts, but also offers up-to-date management and business information to support the ongoing professional development of the individual and so offers the client company reassurance that it is providing access to managerial excellence for all its employees. Table 3 illustrates the different varieties of AMA membership and the associated options as presented on the AMA website (www.americanmanagementassociation.com).

Membership	Benefits	Price
AMA Corporate Membership	All organization employees may enroll as Participating Members and receive: • Preferred member pricing on all AMA seminars • Up to 25% savings on "Last Minute" offers • 10% discount at AMA bookstores • Unlimited access to AMA's members-only Web content • Invitations to webinars, podcasts, special events • Participation in member surveys • Subscriptions to e-newsletters, *Executive Matters* and *AMA's Management Update*	Individual Membership 225 USD p.a. Company 1,995 USD p.a.
Small business membership (fewer than 250 employees and less than $25-million in revenue)	An organization is entitled to: • Two Free AMA seminars for any employee in organization • Special member pricing on all AMA seminars and at least 10% savings • $500 discount on the daily training rate of one on-site AMA multi-day seminars • Up to 25% savings on "Last Minute" offers of popular AMA seminars	Individual Membership 225 USD p.a. Company 1,995 USD p.a.

- 10% discount on meeting room rentals at AMA Executive Conference Centers
- 10% discount at AMA bookstores located in AMA Executive Conference Centers
- Unlimited access to AMA's members-only Web content with informative articles of practical business issues

May enroll up to TEN executives as AMA Executive Members and each receive:

- One FREE AMACOM book
- Subscriptions to:
  1. *MWorld* , AMA's print journal, which includes business trends and issues of the day.
  2. *Executive Matters,* a monthly e-newsletter
  3. *AMA's Management Update,* a monthly e-newsletter

- All organization employees may enroll as Participating Members and receive:
- Preferred member pricing on all AMA seminars
- Up to 25% savings on "Last Minute" offers (AMA seminars)
- Subscriptions to e-newsletters Executive Matters and AMA's Management Update
- 10% discount at AMA bookstores
- Unlimited access to AMA's members-only web content
- Invitations to webinars, podcasts, special events
- Participation in member surveys

AMA e-member ship	- Up to 25% savings on "Last Minute" offers (AMA seminars) - Subscriptions to monthly e-newsletters:
	  1. *Executive Matters*
	  2. *AMA's Management Update* - Unlimited access to AMA's members-only web content
		45 USD per person p.a.

	• Invitations to Webinars, podcasts, special events • Participation in member surveys	

Individual membership	AMA Individual Membership Benefits
	
	• Preferred member pricing on all AMA seminars, at least 10% savings
	• Up to 25% savings on "Last Minute" offers (AMA seminars)
	• One free AMACOM book
	• 10% discount at AMA bookstores
	• Subscriptions to:
	
	  1. *MWorld*—AMA's print journal
	  2. *Executive Matters*
	
	• AMA's Management Update
	• Unlimited access to AMA's members only web content
	• Invitations to webinars, podcasts, special events
	• Participation in member surveys
		225 USD per person p.a.

22Free My AMA	Access to over 1,000 informative articles. Access more than 200 Webcasts and 50 podcasts. free newsletters	Free
Research Partner	• Company may also be a research-partner, survey-participant or sponsor seminars.	Depends of size of the company and the nature of the partnership

Table 3   AMA membership options and benefits (Source: AMA)

2.5   AMA Partners

AMA undertakes global development and training activities in 14 countries. AMA develops and coordinates global training programs worldwide in cooperation with what it terms local education centres (through AMA's faculty and cooperation agreements).

AMA also has online training partners managed through franchising agreements. These companies are trained and licensed to use AMA Online Learning and Training Solutions under the AMA brand. The partners are tasked with improving the customer experience of AMA online training solutions, managing the whole training process and program from registration, customer service and online training to IT solutions. These partners include FlexStudy.com (www.flexstudy.com) and Global Knowledge Inc. (www.globalknowledge.com).

AMA also has research partners. Over 5,000 American Management Association (AMA) members and customers participate in surveys conducted by AMA. AMA has also conducted surveys in cooperation with key media companies such as Investor's Business Daily, The Wall Street Journal, and CNN Business News. Some AMA training seminars are sponsored by partner companies.

2.6   AMA learning and training solutions

AMA has three main customer training solutions allowing it to provide customized training programs; Extending Training, Tailored Training and Customized Training. The customer solution offered may also be a combination of these training programs.

2.6.1   Extending Training

AMA Experts can conduct any of company's open enrolment training courses at the location of customer's choice. These extending courses could be anything from a simple seminar spanning a few days to a long-lasting training and development program.

2.6.2   Tailored Training

Modifying AMA courses to meet an organization's specific needs usually includes: a pre-training analysis that aligns course content, activities and examples with the culture, knowledge and strategies of the customer organization, and other critical objectives to deliver a program specially tailored for the company.

2.6.3　Customized Training

For more specific or complex training initiatives, AMA's knowledge team can identify an organization's specific needs and then create a learning solution to achieve the business goals and needs of the company. Once these needs are assessed, the customized solution could be anything from a simple on-site seminar to a long lasting (as in comprising many themes and modules) multimedia program. These will be designed and executed to bridge the gap between the skill and knowledge level of the company and the growth needs of the whole organization.

The training and developmental solutions are always based on a deep understanding of customer's actual needs and determination of the state of business. The analysis will always be conducted in conjunction with the company's senior management. Thereafter, the solution will be implemented as a training program, and finally the results and effectiveness of the program will be evaluated. Table 4 describe this solution design process.

Stage	Actions
Discover	The first stage of the AMA Development Methodology comprises two steps dedicated to the discovery and understanding of the customer's business goals, the culture of the company and knowledge of the company and workforce issues and of course the main challenges the customer faces
Engage	During the Engage Stage AMA empowers its business specialists with a portfolio that is unparalleled in the industry in terms of breadth and depth and quality of content. Unlike some other programs, this portfolio is available for immediate access
Evaluate	The third stage of the AMA methodology the training program involves evaluation of the results. The process encompasses the effects of the development solution and its impact on individuals and the whole organization. Performance results will also be evaluated against benchmarks and the success criteria identified during the Discover phase

Table 4　　　AMA's customer segments and training solutions (Source: AMA)

The process of designing training solutions can be described as a **Corporate Learning Solutions Process** (See Figure 5). This results-driven design process begins with the analysis of customer needs and the current state of its business.

Figure 5 Corporate Learning Solutions Process: results-driven design process (Source: AMA)

1. Analysis stage

The customized training process is always based on customer needs and an analysis of the current state of the company. Focuses applied and tools used at this stage are:

- focus groups
- individual assessment tools such as 360 degree feedback and the MBTI analysis
- organizational and individual predictive talent audits
- executive management interviews

2. Design stage

Learning methods and features employed for designing a customized training solution are:

- customized training: anything from an onsite seminar to a multifaceted, multimedia training program / modules
- action plan: outlines the company's main goals, targets and needs and the tailored AMA solution recommended for achieving those goals
- tune-up content: equips employees with pre- and post-virtual training events, e-learning and action planning

3. Development stage

The performance support tools used when developing a customized solution, include:

- AMA learning portal: web-based application to help manage the action plan
- articles, research reports, webcasts, podcasts, books (AMA has a library and bookstore to support learning and development)

4. Engagement stage

Engagement includes the "blended learning" method, which is defined as a method that: *Combines instructor-led training with pre- and post-seminar online assessments, tune-up courses and other resources to provide a more compelling, more comprehensive experience for the learner.*

Blended learning in practice involves the steps shown in the Table 5 below.

Step	Action
Step 1: Planning and preparation	Before an actual live training seminar: Online pre-seminar and materials to prepare and align the individual for learning through assessments of subject area.
Step 2: Live-Interaction	Instructor-led seminar: The bulk of new learning is acquired during a live seminar led by an instructor who is an expert in the field.
Step 3 : Put-into-action	After live training has concluded: Participants complete an on-line post-seminar assessment to measure what they have learned and reveal any remaining knowledge gaps.

Table 5   Blended learning in practice (Source: AMA)

5. Implementation stage

The implemented solution may include:
- Job Aids: A repository for information, processes, and perspectives designed to support solutions before, during, and after delivery.
- Case Studies: In-depth investigations of relevant instances or events. "Cause and effect" and underlying principles of each case shown to solidify the real-world application of program content.

- Role Plays: The simulation of real-world circumstances gives participants an invaluable opportunity to practice the skills learned.

6. Evaluation stage

The evaluation process is as much a beginning as it is an end. Critical questions include:

- How relevant was the content of the seminar modules?
- Did the participant's knowledge of the subject area increase?
- Has the performance of the participant improved as a result?

The success of the evaluation process always depends on asking the right questions and getting the information needed to move forward and improve performance (See Table 6 for Possible Evaluation Concepts).

Theme	Explanation
Reaction	Measure the impact of course content, and course leaders from the perspective of the participant
Knowledge Transfer	Use pre- and post-assessments to measure the amount of knowledge that has been learned
Performance	Use both informal and formal techniques and tools to measure the impact that training seminars had on performance of participant / company
Return On Investment	Identifying measures of success and then develop the tools and techniques to capture critical data

Table 6   Possible Evaluation concepts (Source: AMA)

2.7   Distribution channel for training solutions: In-class, online and on-site training

AMA is able to serve customers through different distribution channels, methods and training techniques and its customers are able to modify AMA courses and modules to address their organization's specific needs. These solutions may consist only of online or in class training or may be a combination of both.
In-class seminars and courses

AMA's in class seminars and courses include lectures and different workshops. Speakers and trainers are experts in their field. Before and after in-class seminars, participants complete assignments on- or off-site.

2.7.1   Online training courses

Live Online Seminars provide an alternative to the traditional classroom setting, offering the same quality content as AMA's traditional classroom seminars, but in a live online format.

These solutions include for example:

- Interactive, instructor-led course with an easy to use platform and process
- Virtual talk and text with AMA faculty via chat and VoIP
- File share and workshops in breakout group activities
- Live Access and 24/7 customer support throughout AMA learning experience

2.7.2   On-site training and workshops

AMA onsite training and workshops will bring employees together for training for example to help share best practices or develop a common vocabulary. Open-enrolment seminars cover a range of training issues, but the customized on-site programs of the company can focus on the organization's specific issues and challenges in the most cost-effective way. All on-site customized workshops also incorporate the blended learning process to extend the learning experience beyond the classroom.

2.7.3   Training tools, methods and modules

AMA promotes training tools for individuals and organizations through a comprehensive range of solutions in 23 subject areas. Training tools and methods include for example, modules of business seminars, blended learning, webcasts and podcasts and workshops. Books, research and articles are also widely used as materials to support pre- or post-course assignments for example. Usually training programs are a combination of these methods, tools and techniques (See Table 7).

Training method /theme / module	Definition	Example
business seminars	1-3 day seminars, live online or in class	74 AMA seminars in different topics, for example; ·Management and supervisory skills ·Project management Leadership ·Communication skills ·Finance and accounting
blended learning	1 Planning and preparation Before any actual training seminar: Online seminar with pre-seminar materials to prepare and align the individual for learning through an assessment of subject knowledge and the creation of a targeted learning plan. 2 Live-Interaction An instructor-led seminar: The bulk of new learning is acquired during a live seminar led by an instructor who is an expert in the field. During this phase, learners will refer to and apply the results and learning plan they developed in the pre-seminar course work.	

	3 Put into action After live training: Participants complete an on-line post-seminar assessment to make sure of and measure what they have learned. Any remaining knowledge gaps identified in the post-seminar knowledge assessment are addressed with targeted online tune-up training courses.	
webcasts and podcasts	On-line or on-site seminars and workshops	
workshops	Workshop days are part of the seminar or training program	Included training programs (in class, live online)
books (Amacom books), white papers, articles	Possible use in pre- or post-course assignments for example	Included in training package

Table 7   AMA tools and methods (Source: AMA)

2.8   Examples of AMA training programs

There are several different possible combinations of these training, learning and development programs. The customized training solution always depends on the needs and challenges identified with the customer. Open programs and training modules may also be of use in customized company training programs as modules or as part of the customized programs.

When selecting an open program, an individual may choose different combinations of these courses. Course modules and lengths vary by topic. One training combination example makes it possible to choose three seminars for $4,995 or a company might send as many as three people to AMA seminars over a six-month period. This offer is applicable in all US classrooms and live online seminars for a member price of $2,295 or less, or a non-member price of $2,545 or less. With AMA's Annual Pass, costing $3,995, it is possible to have one full year of access to an unlimited number of AMA Classroom seminars and three live online seminars for a member's price of $2,295 or less or a non-member's price of $2,545 or less.

2.9 Case examples of customized training and developing programs: Siemens and Whirlpool

AMA Corporate Learning Solutions the Success Story: Siemens (Source: AMA)

The Challenge

Siemens Power Generation, Inc. is one of the world's leading specialists in engineering, manufacturing, constructing and maintaining major power generation equipment. Field engineers of the company must be able to assemble specific project team and technical objectives, then plan project, manage possible changes and then control the whole undertaking. Success of these projects is completed on schedule within budget and within a high degree of consistency and quality.

According Training and Development Manager of Siemens, Michael Sivick, engineers need to understand what makes project successful and what are the critical factors of the project. Developing the hard skills or competencies are the most critical issues to project management and success. Experienced engineers need to enhance their people skills to be better to respond to tough interpersonal issues.

AMA Solution

AMA Vice President of Sales, Sam Davis convinced Siemens Power Generation, Inc. that AMA could successfully deliver the kind of program they wanted. Some assembly was required. The training solution was not only specified open program or training modules, significant changes were made to the curriculum and also adding two extra days to the program. These changes resulted from in-depth discussions between AMA and (the Siemens top management) team, in which they shared all those critical competencies that Siemens Power Generation, Inc. valued in project managers and its business goals.

The partnership approach extended into implementation as well. In the deployment of the revised and expanded development program, AMA experts focused primarily on leadership and people skills as well as generic project management skills.

Results

As a one of the results Siemens were able to decrease the ramp-up time for less experienced engineers, enabling them to take on positions of authority a lot quicker than they had done in the past. This was accomplished by addressing the needs of more experienced engineers. Siemens were also able to increase the effectiveness of field people and engineers in project management, including their communications and interpersonal skills.

After the first successful development program, Siemens Power Generation, Inc. updated the training course content by making it an integral part of its new global certificated Business Development programme.

Siemens is convinced that the training program demonstrates its ongoing commitment to providing world-class project management to its customers. In the past 5 years, nearly 250 professionals and managers at Siemens Power Generation, Inc. have completed an AMA customized training program.

AMA Corporate Learning Solutions Success Story: Whirlpool (Source: AMA)

The Challenge

As the global leader in manufacturing, selling and marketing major home appliances, Whirlpool Corporation's brands are known and trusted by consumers worldwide. People everywhere depend on the company's innovative products to meet their daily needs and improve the quality of their lives.

Innovation is the critical main idea behind the Whirlpool Corporation's strategy for setting itself apart from the competition. It has become the key success factor to its advantage in an industry crowded with rivals. According to Whirlpool's Core Competency Trainer, Margaret Hanington, innovation is a serious business at Whirlpool and employees of Whirlpool are always looking for new ways to delight customers and serve them better.

Whirlpool embarked on its innovation journey in 1999 and the challenge continues for the company's more than 80,000 employees of the company. They continue to be the primary source for ideas that meet consumer needs and desires in new ways. At Whirlpool, innovative thinking is considered the responsibility of every employee. It is a core component of the company's worldwide culture.

AMA Solution

Early in the company's innovation efforts, it became apparent that employees would not only have to be committed to innovation, but also have to learn to think differently to get the truly extraordinary results company was seeking. Looking outside for a training program to reinforce existing innovation training, Whirlpool discovered that AMA had introduced a workshop seminar on the topic of linking creativity to innovation.
Whirlpool partnered with AMA to customize the existing training course into specific program for its environment and culture. This included for example 'Innovation and Creativity'. This training program has the action-oriented innovation process to help energize and engage employees of the company.

AMA worked with Whirlpool to customize an on-site learning experience based on the seminar mentioned. The innovation and creativity aspects helped Whirlpool's employees to keep creativity in focus. AMA piloted an on-site session for a group of Whirlpool's core managers and used the feedback received to complete the main learning process.

Results

Throughout Whirlpool, the workshops have been successful in helping employees to remove obstacles to their own creativity. The training program and modules have given employees new tools and techniques to help them think differently and discover out-of-the-box ideas and business solutions.

Whirlpool's culture of innovation is based on the belief that original and innovative thinking can come from anyone or anywhere within the organization. When employees understand the basis of creativity thinking—and bring what they have to offer to the table—the company benefits.

Margaret Hanington believes AMA seminars accelerate learning and improvement of the organizational performance, and that the workshops provided Whirlpool's employees with new tools and skills for development that helped them master change and drive Whirlpool's innovation strategy forward. The most important result is the effect the culture of innovation has on the company's bottom line.

2.10   Challenges for AMA

In the future, e-learning business models need to be designed to be even more dynamic and modular. More flexible value networks will arise and replace the traditional, static and linear value chains (Miller & Lessard, 2000).

Figure 6 illustrates the main challenges facing AMA in the future. The key question will be how AMA can build, maintain and develop critical partnerships to provide excellent training solutions in cooperation with key network partners; content, IT-solutions and franchising (using the AMA brand). The other critical issues will be how to use the firm's extending training modules and tools in more effective and competitive ways and the identification of the optimum combination of the different delivery channels in the future.
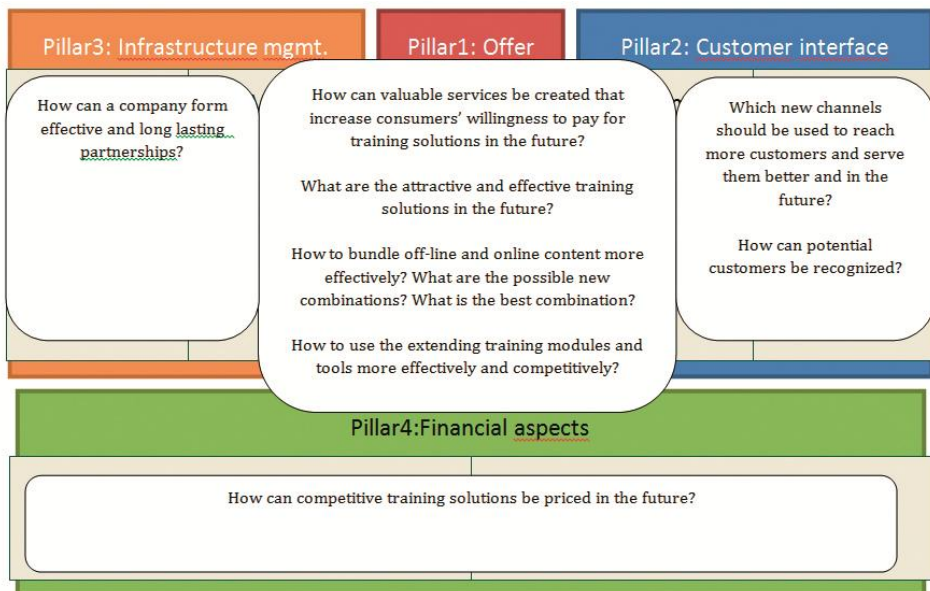

Figure 6 Challenges to AMA's business model

3 Business models of the e-learning industry: a global perspective

Saara Könkkölä, Megan Johnson & Seppo Leminen

3.1 Introduction

Virtual learning services play an important role in today's business environment as people become more mobile and interact more across countries and cultures. While teaching has traditionally been transmissive rather than interactive - students read from books, listen to the instructor, watch demonstrations in laboratories – virtual learning improves teaching practices by introducing to learning a more active nature (Collis, Bruijstens and van der Veen 2003). Corporations and universities can benefit from adapting e-learning services due to the obvious increase in flexibility and convenience combined with the engaging use of social media. Finally, corporations using such services, could see a large return on investment from more engaged learners and cost reductions in the mode of delivery. Universities can achieve cost savings as a result of reaching a globally dispersed audience quickly, consistently, and at least semi-personally (Bonk and Graham 2006). Such learning techniques are a way to overcome the challenges of keeping employees up-to-date in rapidly changing environments and the increasingly diverse demographics companies face as they operate ever more globally.

The original fascination with business models began with the convergence of information and communication technologies in the 1990s, but its continued popularity among practitioners and researchers alike is fuelled by forces such as deregulation, technological change, globalization, and sustainability (Casadesus-Masanell and Ricart 2011). Now business model innovation makes up a significant portion of the literature stream because of the "increasing speed of everything" – product lifecycles and design cycles. Competition has become inter-industry, with completion coming from everywhere. For example, iPads have made electronic photo

frames obsolete, just as iPods affected the business of record companies. Finally, business models have emerged that focus on providing better customer experiences instead of what we traditionally think of as a product (McGrath 2011). Considerable research has been conducted on different business models during the last decade. However, little research has been done on the business model of the constantly evolving e-learning industry that acknowledges the particular success drivers of virtual learning services. The success drivers of internationalization of e-learning companies have received scant attention thus far. Hence, through a review of relevant literature and case studies of the business modes of e-learning, the aim of this chapter is to provide answers to the following research questions:

- What are the drivers for the success of virtual learning services internationally?
- What are current and emerging global virtual learning business models and service concepts?

3.2   Drivers of success in virtual learning services

The availability of new technology and the internet have expanded the teaching options in education and subsequently the virtual learning services and training industry. This chapter defines the concept of virtual learning, discusses the factors for successful virtual learning services, and looks into the evolving discussion on virtual learning as a service business.

3.2.1   Definitions and background

There are multiple terms used in the domain of virtual learning. Virtual learning itself can be considered the broadest of all the terms and signifies the use of computer-based instructional environments with a wide range of resources available for users to interact with other learners and the instructor. They key factor is that there is an instructor with whom to interact. Other terms used to refer to essentially the same thing are web-based learning and online learning (Anohina 2005; Piccoli, Ahmad, and Ives 2001). E-learning is a technology-mediated learning environment where a single user interacts with technology and attempts to self-direct and complete a course of some sort (Zhang, Zhao, Zhou, and Nunamaker 2004). It has been divided into four types:

- drill and practice applications
- intelligent tutor systems
- simulations
- computer-supported collaborative learning applications (Hoppe and Breitner 2003)

It is also simply described as 'the use of telecommunication technology to deliver information for education and training' without the stipulation of limited interaction with other learners (Sun, Tsai, Finger, Chen and Yeh 2008; Hoppe and Breitner 2003) or 'a combination of learning and information technology that provides new learning opportunities with fewer restrictions on time and space' (Mendling, Neumann, Pinterits, Simon, and Wild 2005). Blended learning techniques combine various interactive and social media platforms with more traditional, face-to-face teaching (Osguthorpe and Graham 2003; van Raaij and Schepers 2008).

The majority of literature on this topic centres on the education industry, as in public (state) school systems and universities, and the benefits and challenges that accompany virtual learning. These lessons can still be considered important in the context of virtual learning services in the business sector. If fact, the two sectors both experience the pressures of globalization, and virtual learning plays an important role because it liberates interactions between learners and instructors (or learners and learners) from the limitations of time and space (Katz 2002). In this way universities and firms providing virtual learning services can each enter new markets aided by virtual learning technology.

3.2.2   Social software and virtual learning: drivers of success

Social software, or software that enables social media and networking, so connecting people, can be applied to learning and may support new ways of training and education. Termed 'educational social software' by Anderson (2005), it can be defined as networked tools that support and encourage individuals to learn together while retaining individual control over their time, space, presence, activity, identity, and relationship. We believe educational Social Software tools should have the following characteristics to support learning:

- *Presence*: allowing the user to either make known his or her presence in the system or conceal it, and notify others when people are present to reduce waiting or the necessity of the teacher stipulating certain times to be there. It could also mean notifying the user of other people who have the same interests and are in the same programme, institution, or in the same location
- *Notification*: sending feedback or acknowledging when a student has added content. Should be both push and pull, in sending notifications to the students and then letting them search for them later if they need to
- *Filtering*: represents the constant battle between legitimate information and spam. It also means suggesting information based on student preferences
- *Cooperative Learning Support:* cooperative describes when a student wants to interact, but collaborative refers to when a student is

compelled to work with others for the duration of a project. Cooperative support is usually short term and can include those not directly involved in the course

- *Referring*: tracking of successful activities that engage students and then using the information to help students make informed decisions about courses to participate in
- *Student Modelling*: customizing previous referrals based on student characteristics and interests
- *Introducing Learners to Each Other:* searching for compatibility among connections allows learners the opportunity to work with people who are more likely to generate a mutually beneficial relationship
- *Helping Others*: consider it a virtual study group, which has long been a university staple
- *Documenting and Sharing of Constructed Objects:* formal learning traditionally involves students learning and re-learning a very slowly evolving body of knowledge, but recently it has been argued that students should actively create rather than consume knowledge. Learning tools need to support this over the long-term as more and more student content is added

In addition to those aspects of the learning solution that may influence success, the following drivers presented by Palomäki, Stigzeliu and Vartiainen (2010) establish four precursory drivers for establishing virtual (or blended) learning environments:

- First, the abundance of resources available over the internet in addition to the relationships that can be forged and maintained through it is changing the roles of educators and trainers
- Second, people want the ability to freely choose when and where to study and/or work
- Third, cloud-based technologies are becoming more and more common, and IT support more decentralized
- Fourth, the amount of collaboration between campuses and business locations is increasing

3.3   E-learning business models

This chapter considers recent literature on business model planning, and discusses how theories and practices of business model planning can be implemented in the e-learning industry.

3.3.1   Research on business models

A business model can be defined in terms applied by Osterwalder and colleagues (2005) as 'a conceptual tool that contains a set of elements and their relationships and allows expressing the business logic of a specific firm. It is a description of the value a company offers to one or several segments of customers and of the architecture of the firm and its network of partners for creating, marketing, and delivering this value and relationship capital, to generate profitable and sustainable revenue streams'.

The original fascination with business models began with the convergence of information and communication technologies in the 1990s, but its continued popularity among practitioners and researchers alike is fuelled by forces such as deregulation, technological change, globalization, and sustainability (Casadesus-Masanell and Ricart 2011). Now business model innovation makes up a significant portion of the literature stream because of the "increasing speed of everything" – product lifecycles and design cycles. Competition has become inter-industry, with completion coming from everywhere. For example, iPads have made electronic photo frames obsolete, just as iPods affected the business of record companies. Finally, business models have emerged that focus on providing better customer experiences instead of what we traditionally think of as a product (McGrath 2011).

The topic of business models has been widely discussed since the dotcom boom of the 1990s (Rappa 2004, Schafer 2005, McGrath 2010) but has not reached a satisfactory level of clarification in academia, and as a result, much of the discussion around business models happens without 'understanding of its roots, its role, and its potential' (Ostenwalder, Pigneur, and Tucci 2005). Though most authors attribute the original surge in interest to the aforementioned dotcom boom, universal agreement ends there. It is useful to first identify the different lenses through which the business model has been defined and studied before attempting to further the literature in this arena. Amit, Zott and Massa's (2010) recent, extensive literature review claims the literature has remained diversified rather than having reached any consensus. According to the authors business model research has developed in three silos.

1. E-business and the use of information technology in organizations
2. Strategic issues, such as value creation, competitive advantage, and firm performance
3. Innovation and technology management

The advent of the internet has been a driver of business model research since the mid-1990s (Teece 2010, Osterwalder et al. 2005, Amit and Zott 2001) and has since been fuelled by the effect of globalization and the growth of emerging markets (Amit et al 2010). Therefore all of these perspectives on business model research address e-business in their discussions. In addition to the many views taken on the subject, the term business model has also been used interchangeably with strategy and business processes, among other terms. In order to delineate the concept more concretely, it is necessary to distinguish it from these other terms. According to Osterwalder and Pigneur (2002), this can be understood by considering the business model as 'the conceptual and architectural implementation of a business strategy as the foundation for the implementation of business processes'. They divide the business into three levels:

- Planning level, strategy
- Architecture level, business model
- Implementation level, business processes

Despite the isolated development, the authors identify common ground. Four common themes emerge among the different areas of study:

1. The business model is a new unit of analysis in addition to the product, firm, industry, or network levels. While it is centred on the firm, its boundaries are wider.
2. Business models emphasize a system-level, holistic approach in explaining how firms do business.
3. Organization activities play an important role in the various conceptualizations of business models.
4. Business models seek to explain both value creation and capture.

In this way the business model is the logic behind the business system, but does not go as far as to specifically describe the everyday activities that bring the product or service to the customers. Each dimension works together and is related in order to realize the vision set forth in the company's strategy. Casadesus-Masanell and Ricart (2010) also view strategy as a higher-level entity than the business model, stating that a firm's strategy dictates what sort of business model will be adopted and how the firm will put it into practice.

3.3.2   E-learning business models: Literature review

The literature on business models in the e-learning industry is very limited. It could be compared with the early e-commerce literature that attempted to describe and define elements of the business models as the interest in e-learning has increased in recent years. The framework of Hoppe and Breitner (2003) will serve as the main resource on the topic.

The driving forces behind e-learning the authors illustrate are much the same as those behind the increase in the popularity of the study of business models in general: knowledge is increasingly something that must be managed in firms alongside life-time learning, globalization, and employee mobility. The authors first develop the e-learning system, which comprises the e-learning product, or any part of the system that can be sold autonomously, and the e-learning provider, the entity that provides the product to the consumer. The technical structure of the system is supported by two entities:

- "Manware," or the people who use, administer, maintain and/or develop other components of the system
- "Orgware," or all organizational regulations and concepts concerning e-learning and its management

The authors then describe five different types of providers in the e-learning industry:

- *Content Providers* offer predetermined e-learning content that is standardized (e.g. a business English course) or individualized (e.g. a company-specific simulation)
- *Application Providers* offer e-learning applications often in cooperation with content providers. According to Mendling et al. (2004), it can also be described as a learning content management system
- *Hardware Providers* offer hardware that may or may not be specific to e-learning. For example iPads are an important device in mobile learning, but are not for the industry in particular
- *Service Providers* offer e-learning services that complement the mediation of e-learning content by application. Often they are directly related to learning processes and can be platforms for information or communication. They might have a supporting role, such as technical support for software (or hardware), or training, consulting, or marketing services
- *Full Service Providers* offer complete solutions and encompass the whole e-learning system

These providers differ in how they generate revenue through different activities (Hoppe and Breitner, 2003; Huhtala et. al 2011). To better understand the value capture logic of an e-learning company, Hoppe and Breitner (2003) adapt business models from Rappa (2001). These models apply to the above provider types and activities in terms of revenue model:

- Selling e-learning for a list price
- Brokerage: fees or commission for bringing interested parties together and facilitating transactions
- Memberships: fees for participating regularly in an e-learning service
- Advertising: messages posted by e-learning suppliers
- Sale of customer information to data mining agencies

Furthermore, revenues can be generated directly or indirectly in the above-mentioned models and may also be transaction dependent or independent. Although the authors do not venture to say combinations of these revenue models are feasible, it is reasonable to assume so, especially since Full Service Providers have elements of all other types of providers and could thus use multiple revenue streams, as is the case in e-commerce literature where these revenue models originated. The authors state only that when the supply side of service providers are linked to the revenue model and demand side of target market, a sustainable business model can be realized, as depicted below.

An important aspect of the e-learning industry is cloud computing and the related software as a service business model. Software as a service can be defined as 'time and location independent online access to a remotely managed server application that permits concurrent utilization of the same application by a large number of users, offers attractive payment logic, and make a continuous flow of new software available' (Sääksjärvi, Lassila, Nordström 2005). Cloud computing allows application providers to deliver their product as a service without needing to provision data centres. Cloud computing refers to the system of applications provided as a service over the internet and the hardware and software that enables those applications (Armbrust et al. 2009). From the user perspective, it can be described as the outsourcing of IT where the vendor owns the software and infrastructure, which are essentially rented to the user (Sääksjärvi et al. 2005). Globalization has played a key role in the growing popularity of cloud technology; it has become ever more essential to increase speed to market and cut costs as the resources available to deal with these trends become scarcer (Demirkan, Cheng, Bandyopadhyay 2010).

3.4   Research Methods

Qualitative methods were used for this project because the aim was to gain an understanding of the e-learning industry's business models and service concepts globally, and business drivers and challenges – a rather broad topic and one that has not been studied extensively in literature. For this reason it was important to allow the researcher to be flexible, a hallmark of qualitative research (Bryman and Bell 2003). The purpose was not to establish cause and effect or generalize on a larger scale, but rather to provide some insight that might be useful in similar company situations.

The research includes two case studies conducted after initial interviews to further investigate two examples of the most complex type of e-learning service provider – the full service provider. One of the main reasons for adopting a case study approach was the circumstances of the phenomenon to be studied: a contemporary phenomenon in a real life context (Yin 2003). Since it examines the business models of the global e-learning industry, this research focuses on the "how" question, or how firms do business in this industry. The research also attempts to examine the industry in general, from a global perspective by applying relevant literature to what the firms do in practice, or the real life context. Case studies are often criticized for their lack of generalizability, but in this case the goal is to explain the industry and how it works, so it is a criticism that should not be applicable. This type of service provider is very complex, which also makes the current study a good candidate for a case study approach (Soy 1996). Six qualitative, semi-structured interviews were conducted with representatives from several case companies. Most of the interviews were approximately 30 minutes long, with one lasting 45 minutes and another nearly two hours. Five additional short interviews lasting around ten minutes were conducted at a conference and industry fair and were complemented by two company visits in London.

3.5   Case study

In the following section, one of the case studies will be presented in more detail. The section investigates an e-learning company and its business model. The company is a full service provider, but here, only one subsidiary is examined in detail.

3.5.1   Englishtown business model

Englishtown is an online English language school for individual students. It is one of the sixteen subsidiaries of Education First, and was founded in 1996. The company's extensive business portfolio includes language training, educational travel, academic degrees, cultural travel, corporate language services, online training, and

travel services like insurance. They have offices in fifty countries and students from one hundred and twenty countries. The company is headquartered in Hong Kong with its Research and Development in Shanghai, China. It maintains offices in markets with the highest potential outside Asia, for example in Sao Paulo, Brazil. The company also has forty schools in fifteen countries for teaching language and culture (EF.com).

The competence of the firm is a combination of two elements: the learning strategy it uses to teach English faster than its competitors can, and the innovative platform through which the teaching is provided to the students. Both are developed by the company itself through limited partnerships. The orchestration is the responsibility of Englishtown. The content and methods of teaching are developed in partnership with Cambridge University and based on research on language learning and linguistics. A corporate version is also available that focuses on business English. The key features of the programme are online courses, group lessons, private tutoring, business English, and possible certification. Other notable elements advertised are speech recognition software, important in pronunciation practice; customization of the programme with the help of an expert so that the course is tailored to the user; a social community to aid practice; proprietary course books and online material developed by experts; and finally, progress reports and results summaries that ensure students always know where they stand.

For Englishtown, the offering to the customer is to learn English entirely online. By logging onto the website, the client will have access to all the material and support needed to improve their current level of English or start from the beginning. One word repeated frequently on this topic in all three interviews was "flexible." This was deemed instrumental especially in the consumer market because learners are not being forced to participate by their company. As one of the informants says: 'Clients spend their own money and invest their time, so they expect convenience and the flexibility to progress as they see fit'. Another says: 'most of the time there are many options, so if they cannot configure the service to their needs, they can go elsewhere'.

Classes with a native speaker begin every hour, on the hour, seven days per week, also contributing to the flexible nature of the course. Finally, it has been recognized that each individual has different learning preferences, so Englishtown has designed its service accordingly; each unit is built on four ways to learn a language: reading, listening, writing, and speaking.

Englishtown itself is a platform similar to an LMS (Learning Management System), but the parent company is a full service provider able to provide custom solutions for corporations, blending face-to-face teaching with online learning among other services offered. The company, adding content provider to its list of activities, also

produces the material in some situations. Englishtown itself is a standard service that the company obviously does not develop for each customer (either consumer or corporate) and not even for each market, but the service may be highly personalized – the client is able to choose from an array of different elements depending on how they feel most comfortable learning. So in summary, the service concept of Englishtown in particular could be described as a flexible programme offered for young professionals so that learning is relevant to the particular user, enabling quicker learning in a culturally relevant context (real English spoken by native speakers in their home countries).

The distribution of the service is mainly via the website but now also on the iPad. Clients can also use iPhones for vocabulary practice. The key point is that all material is digital and all interaction is virtual. The system is somewhat like a combination of Facebook and LinkedIn in that the user can add friends, send personal messages, and join groups that might be of interest. The social aspect allows the user to apply what has been learned in the lessons in conversations with their peers. Englishtown also sends free study topics via email to existing and potential users. One section on the website is dedicated to free learning and includes quizzes and English testing, daily vocabulary words, daily discussion topics, lifestyle lessons like the meaning of phrases or how to plan an evening out. Some content is also on social media network, like Facebook, including word games and short lessons to inspire discussion among the people who "like" Englishtown. The user can participate in challenges against other students, and the system automatically tracks users' points when they sign up to rank them against others who started the same day.

3.5.2   Internationalization process

As with most other industries, the most growth is expected in developing markets, with Asia possibly surpassing Europe in terms of expenditure after 2015. As noted by one interview subject and supported by literature, it is not always necessary to set up an office in the new market. Englishtown has options to employ exporting, licensing, franchising, management contract, turn-key operation, joint venture, or wholly-owned subsidiary strategies, or in fact a combination of those (Dunford, Palmer, Beneviste 2010; Jalvalgi and White 2002). The choice often depends on whether the target service is separable or co-produced with the customer (Jalvalgi and White 2002). In this respect, the most important aspects to consider would be whether the option is a tangible or intangible form and the required involvement with the client. If the degree of client interaction is high, mergers, foreign direct investment, or acquisitions would be suitable, depending on the market. A local presence allows the firm to respond to demand faster and adapt to the local culture more easily (Jalvalgi and White 2002), and marketing needs should be met locally (Dunford et al. 2010). However, as in other industries, business models are

developed on a trial and error basis, and internationalization of the business model is no different.

Literature identifies general barriers to internationalization. Non-tariff barriers include entry restraints like local ownership requirements and labour restrictions and operational barriers including discriminatory taxation, currency controls, and local investment requirements (Javalgi and White 2002). The authors also identify country of origin effects, which refer to the phenomenon of consumer preferences for their own country, a similar country, or an economically advanced country acting as a supplier of services at the heart of their business. This could explain the suggestions from interview subjects that countries in Asia look to the United Kingdom and Europe as "cultural centres" for training suppliers, at the same time as Filipino language companies are enjoying success in the Chinese market in English training. Because most services, and especially virtual language training, require significant interaction, cultural barriers affect the service delivery system. Ethnocentrism also tends to decrease as customers become younger, more educated, and earn higher incomes (Jalvalgi and White 2002), a positive advantage for European countries entering the Asian markets in professional training. Most multinationals report that seventy percent of future growth will be in emerging markets, with forty percent in China and India alone (Eyring, Johnson, and Nair 2011). The authors suggest thinking like an entrepreneur and trying to meet unmet needs in emerging markets rather than taking what is currently on offer. Furthermore, it would seem to be worthwhile trying to take the top tier of these developing markets. This requires rethinking the service concept and of course the business model. Four possible ways to reveal unmet needs are:

1. *Study what your customers are doing with your product.* The famous saying, 'the customer rarely buys what the company thinks it's selling him' certainly still applies. When the researcher tested the Englishtown consumer service, one interesting element of the service concept perceived by the customer became apparent. It is not just a service to learn a language, but has somehow evolved into an online dating forum; or more simply, a place to connect with other people for personal reasons, regardless of language. The researcher was added as a friend multiple times and contacted more than 75 times in the first hour by men, mostly in the Middle East, but also Turkey, India, and Italy that specifically asked about marital status. This question was then brought up with a teacher for the company who explained that people in many areas of the world do not have this sort of outlet in their daily life, so they use this service for that reason.

2. *Look at the alternatives to your offering that consumers buy.* This topic was again addressed by Englishtown. One informant said the need to focus on spoken language rather than grammar in Asian countries is apparent in popular alternatives to their service that are not as comprehensive. Teachers from the Philippines call students on Skype so they can practice conversation skills. It is difficult to compete with this on price, so differentiation is important here.

3. *Watch for compensating behaviours; meaning discover what jobs are being done poorly.* An example here is the failure to properly localize material to the culture. Research has shown this is a problem in developing markets, so local players enter the market and become difficult to compete with on price.

4. *Search for explanations by asking what consumers hope to accomplish with the goods and services they use.* At first glance this seems obvious: people study something because they want to learn. However, clients in different regions might have different motivations. For example, one informant from a company in the Nordic region said that it is difficult to motivate northern Europeans to participate in training courses because often they are forced to attend by their employer, so it is seen as a task rather than a source of opportunity. This is exactly the opposite in Asian countries, as noted by most of the informants. The nature of the export trade market means that learning a new language will definitely advance your career, and in many cases is essential to get a job in certain industries.

Eyrin et al. (2011) go on to say that competitive advantage is achieved either by competing on price or differentiating a business, and this will determine how to adapt a business model to a new market. The key determinant will be the value proposition – the service concept. A firm must look at the same elements but in a different order to explicate its business model. If a firm plans to compete on differentiation, it must first evaluate its key resources needed to bring value to the customer and then its processes, which will determine the cost structure of the business. If a firm wishes to compete on price, it must first set the price and then determine what processes and resources are needed to meet that requirement. It is important to note these strategies in emerging markets as they are key in the learning market.

3.6   Conclusion and discussion

E-learning is a technology-mediated learning environment, which can mean anything from drill and practice applications, intelligent tutoring systems, simulations and computer-supported collaborative learning applications. However, no clear business models for e-learning have been developed, and nor are there clear

examples of best practice of how to implement business model planning in the e-learning industry. This study looked into the different business models of established e-learning companies, with particular focus on the international aspects of the companies.

Overall, there has been a trend of increasing audience autonomy in the media industry, from music to movies. The dialogue between consumer and producer has changed drastically as a result of information and communication technologies so that consumers have come to expect to be able to generate content and interact with others online in the form of recommendations, sharing, and commenting, and the world of virtual learning services should not be considered any different. Learning should be tailored to the situation and device. It should feel natural. If it does not, consumers will find another way to get the information they need. Effective learning in the corporate world should reflect this and mimic natural consumption patterns. This is not a new issue: 'if you take the customer into account you can learn how they use a product' (Osterwalder et al., 2005). This is important because the way a customer uses a product is not always in the way a provider thinks they do. Technology innovation is not enough; the business model must change, too (Perez 2005).

From the case study and the interviews, it became clear that the oft-cited work of Hoppe and Brietner (2003) encapsulates a rather limited view of e-learning suppliers. Very few companies fall exactly into the roles they present; most offer a combination of the following services:

- *Consultants:* Only a few permanent employees. Contract exactly who the clients need for each job. Provide advice and consultancy services to help develop the clients e-learning strategy
- *Authoring Tools:* Designed so that an instructional designer or subject matter expert can create an online course with only a few technical skills. Some are products that can be downloaded, others, particularly ones that are designed for teams to collaborate on, are hosted by the supplier
- *Custom/Bespoke Course Development:* When the client has particular needs that are not met by published courses, these suppliers can build something to specific requirements
- Many also have resource booking functions and also integrate with other human resource systems. Collaboration and social networking functions are also increasingly added
- *A Learning Content Management System:* Primarily designed to hold libraries of content and enable the client to create courses from it. Content might be documents, images, video and audio files
- *Live E-learning Software:* These suppliers provide software that enables groups of people in different locations to come together in a virtual

classroom where learners can interact in real time with an instructor and each other, sharing course material, and working collaboratively

- *Mobile Learning:* Creating learning solutions for mobile devices like smart phones and PDAs
- *Off the Shelf Courses:* The suppliers have published courses that the client can purchase a licence to use. The client can install them on any Learning Management System (LMS). Other publishers provide their courses through their own portal which the client needs to login to. Some suppliers provide both options
- *Serious Games*: Games, and particularly 3D game style environments and virtual worlds, are being explored and used in e-learning. The use of virtual worlds and immersive simulation environments is still relatively rare
- *Social Learning Software*: These suppliers provide software to enable collaborative learning and knowledge sharing. The focus is as much about user generated content as it is about courses. Much of the functionality is similar to that found on social networking websites
- *Testing Software*: Some types of training require learners to prove their competence through formal testing. These suppliers provide software and services to enable rigorous testing of learners in a variety of different formats
- *Video Technology and Services*: These vendors provide software and services specifically for the development or delivery of video based e-learning
- *Voice and Audio Services*: When developing high quality audio-driven or supported course material, the production values of the soundtrack can play an important role in the user experience. These suppliers provide professional voice over and other audio production services for e-learning

The learning industry is, however, heavily regulated in many countries, especially that part involving university education but also in other sections of the education field by governments supporting local players. A company entering a new market with new technology will have to be aware of these barriers and if necessary, adjust the business model to address them. Finally, ensuring the service is well received will also require business model innovation. Although the idea of virtual training is well received in many instances, implementation might lag behind for a variety of reasons. Any barriers will need to be overcome in order to conquer the market in virtual training. To conclude, a quote from one of the informants reveals one of the main challenges of internationalization in the e-learning industry.

Culturally clients may not be ready for virtual classrooms. The buyers are HR directors or trainers, and their paradigm is courses in classrooms on with traditional e-learning. You have to be sensitive to the learning culture of the firm.

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This study examines business models for the e-learning industry both in Finland and in international markets. Three complementary research pieces are presented in this report, and each is documented independently.

- A study of different bundling opinions in the e-learning industry with public sector clients (decision-makers at public (state) schools)

- A benchmarking study of AMA (American Management Association) as a content provider of education and trai ning solutions.

- A study of different business model options available to international e-learning companies, or companies striving to become international

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